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ABSTRACT

The Chapter 1 program provides aid to local education agencies (LEAs) for the education of disadvantaged children. This review of background and issues involved in the reauthorization of Chapter 1 covers funding and participation trends, features of the program, selection for participation, fiscal issues, and program improvement. A key concern is how to more systematically identify elements of the most effective programs, disseminate information about them, and provide additional incentives to adopt more effective policies and practices. Debate about the program's allocation formula has centered on not only the new (1990) census data and possible means of updating it more frequently in the future, but also the extent to which funds are targeted on schools with the pupils most in need of assistance. Debate on reauthorization is also likely to focus on the most efficient methods of regulating local projects so as to assure accountability while providing flexibility to grantees to implement effective programs. Congress may consider providing limited authority to federal or state education agencies to offer regulatory waivers in return for increased accountability that is based on pupil outcomes. In addition, Congress may consider ways in which parental involvement can be enhanced without adopting burdensome requirements and analyze how to enhance the equity of treatment for pupils attending private schools. (JB)

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92-878 EPW

CRS Report for Congress

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Chapter 1--Education for Disadvantaged Children: Background and Issues

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November 20, 1992

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CHAPTER 1--EDUCATION FOR DISADVANTAGED CHILDREN: BACKGROUND AND ISSUES

SUMMARY

The chapter 1 program provides aid to local educational agencies (LEAs) for the education of disadvantaged children--defined for chapter 1 purposes as children whose educational achievement is below the level appropriate for their age and who live in relatively low income areas. It is the largest Federal elementary and secondary education program, with an appropriation of over $6.1 billion in FY 1993. As with other Elementary and Secondary Education Act programs, chapter 1 is scheduled to be reauthorized by the 103d Congress.

An underlying theme of recent and proposed amendments to chapter 1 is that the program has positive yet limited average effects on the educational achievement of disadvantaged children, with significant variation in program effects in different locations. As a result, the key concern is how to more systematically identify key elements of the most effective programs, disseminate information about them, and provide additional incentives to adopt more effective policies and practices. Existing provisions for research, demonstration, evaluation, dissemination, and technical assistance might be broadened and better coordinated.

The chapter 1 allocation formula has always been the focus of substantial congressional interest and debate. If there are no formula amendments in the meantime, application of 1990 census data to chapter 1 grants for 1993-94 will lead to large shifts among States and regions in allocation shares. Interest in formula modifications has centered on not only the new census data and possible means of updating it more frequently in the future, but also the extent to which funds are targeted on schools and LEAs with pupils most in need of assistance; possible addition of factors to increase aid to States with low wealth or income, or States with high levels of education expenditures relative to their wealth or income; and the current formula cost factor.

Debate over chapter 1 reauthorization is also likely to focus on the most efficient methods to regulate local projects, assuring accountability while providing flexibility to grantees to implement effective programs. The program improvement requirements adopted in 1988, as well as the evolving role of testing in chapter 1, will be closely scrutinized. The Congress might consider providing limited authority for Federal or State education agencies to offer regulatory waivers in return for increased accountability that is based on pupil outcomes, rather than the traditional regulation via specified procedures or resources. The adequacy of chapter 1 provisions for technical assistance and research will also be considered.

In the process of reauthorizing chapter 1, the Congress will consider ways in which parental involvement in the education of disadvantaged children can be enhanced without adopting burdensome requirements; and how to enhance the equity of treatment of pupils attending private schools without violating constitutional prohibitions or policy concerns regarding public subsidy of private schools.

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CHAPTER 1--EDUCATION FOR DISADVANTAGED CHILDREN: BACKGROUND AND ISSUES

INTRODUCTION

The chapter 1 program provides aid to local educational agencies (LEAs) for the education of disadvantaged children--defined for chapter 1 purposes as children whose educational achievement is below the level appropriate for their age and who live in relatively low income areas. It is the largest Federal elementary and secondary education program, with an appropriation of over $6.1 billion in FY 1993. This program was first enacted as title I of the Elementary and Secondary Education Act (ESEA) of 1965; through various stages of legislative evolution it has become chapter 1 of title I of the ESEA, or simply chapter 1.

This report is intended to provide a substantial introduction to major chapter 1 provisions and likely reauthorization issues to a broad audience of congressional Members and staff, primarily, but not solely, those who specialize in education legislation. More detailed analyses of specific chapter 1 issues will be prepared as needed throughout the reauthorization process. A more concise introduction and update on chapter 1 reauthorization status and issues will be provided through a CRS issue brief.

While the chapter 1 legislation authorizes a number of different programs, this report will consider only its grants to local educational agencies (LEAs), which constitute over 90 percent of total program funding and dominate policy debates over the program.[1] The report begins with a discussion of trends in funding and participation for chapter 1 LEA grants. This is followed by a brief review of trends in policies and issues for the program. While this report will consider the entire life of the chapter 1 program, going back to 1965, the focus will primarily be on the period since 1980, especially the most recent amendments to the program in 1988.

This is part of a series of Congressional Research Service (CRS) reports that will provide background information and analyses of reauthorization issues for the ESEA and related Federal elementary and secondary education assistance programs. These programs, most of which were last authorized under

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[1]Chapter 1 also authorizes grants to State agencies for the education of migrant, disabled, and neglected or delinquent children and youth; various programs for evaluation, studies, and technical assistance; grants for State administration; and an Even Start program of grants for joint education and related services to parents lacking a high school diploma and their young children. The Even Start and the three State agency programs will be discussed in separate reports in this series.

the Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988 (P.L. 100-297), will be considered for reauthorization by the 103d Congress.[2] Chapter 1 is currently authorized through FY 1993, with an automatic extension of up to 2 years if the authorization is not extended in the meantime.

Policymakers are continuously attempting to strike the "right" balance between Federal guidance to target on effectively serving children most in need, versus flexibility for State and local officials and teachers to decide how best to serve them.

Chapter 1 LEA grants serve "educationally disadvantaged" children--defined simply as children whose educational achievement is relatively low, regardless of their family income level--who reside in relatively (in terms of the local context) low income areas. Chapter 1 is a categorical program, with detailed provisions regarding such matters as fund allocation or selection of participating pupils and schools, yet has always provided a great deal of flexibility regarding such basic educational policies as the grade levels to be served, subject areas to be taught, and instructional techniques to be utilized.[3] Policymakers are continuously attempting to strike the "right" balance between Federal guidance to target on effectively serving children most in need, versus flexibility for State and local officials and teachers to decide how best to serve them.

In the following sections of this report, we provide first information on trends in chapter 1 funding and participation. This is followed by discussions of the major features of the chapter 1 LEA grant program, with special emphasis on those which have been initiated or substantially revised in recent years, although some of these are also "perennial" chapter 1 issue areas. Each section begins with a description of current program provisions, followed by major issues that have arisen with respect to these provisions, and selected reauthorization options related to those issues. The program features discussed include:

- allocation formulas;
- selection of schools and pupils/targeting on areas and pupils with greatest need;
- fiscal requirements;

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[2]For general information on the reauthorization status of the ESEA and related legislation, see: U.S. Library of Congress. Congressional Research Service. *Elementary and Secondary Education Act of 1965: A Guide to Programs*. CRS Report for Congress No. 92-625 EPW, by Paul M. Irwin and Miguel Marquez, Washington, 1992. 34 p.

[3]In spite of this flexibility, there tends to be a substantial degree of similarity among chapter 1 programs in subject areas, grade levels, and instructional approaches.

- accountability and program improvement, including schoolwide plans, proposed new forms of regulatory flexibility, incentives for improved performance, technical assistance and research, and reconsideration of the role of testing;
- parental involvement; and
- services to nonpublic school pupils.

It should be emphasized that the discussion of reauthorization issues and options in this report is limited to options broadly consistent with the current chapter 1 purpose and framework. More fundamental changes in chapter 1, or the Federal role in elementary and secondary education, are not included in this report, although they may be included in other CRS reports related to the reauthorization of the ESEA.

Throughout much of this report, there is evident an underlying theme regarding the current status of chapter 1 and issues for its extension and amendment. The theme is that chapter 1 has positive yet limited average effects on the educational achievement of disadvantaged children, as measured by currently common assessment instruments. However, there appears to be significant variation in program effects in different classrooms, schools, and local educational agencies. As a result, the key concern is how to identify more effective programs, disseminate information about them throughout the Nation, replicate them in widely varying local settings, and provide additional incentives to teachers and administrators to adopt more effective policies and practices. This has been the focus of several of the statutory and administrative efforts of recent years, especially in the areas of program improvement, research, technical assistance, regulatory flexibility, and incentives for improved performance. This is also likely to be the focus of much of the effort to amend chapter 1 during the 103d Congress.

An underlying theme for reauthorization is how to identify more effective chapter 1 programs, disseminate information about them throughout the Nation, and provide additional incentives to teachers and administrators to adopt more effective policies and practices.

FUNDING AND PARTICIPATION TRENDS

FUNDING TRENDS

- Chapter 1 appropriations have grown substantially in recent years, and are estimated to be approximately 10-15 percent above the funding for the program's initial year, 1965-66, when adjusted for inflation.

Table 1 below provides the chapter 1 LEA grant appropriations for the program since its inception. Data are presented on the basis of program years--i.e., the primary school year for which each appropriation is allocated to States and LEAs. Since FY 1976, the program year has been the year after the appropriation was provided; e.g., FY 1992 appropriations were used primarily during the 1992-93 school year. Appropriation amounts are shown in terms of current (unadjusted) dollars and estimated dollars at 1992-93 price levels. The final column of the table expresses these estimated constant dollar (1992-93 price level) amounts as an index, where the 1965-66 appropriation is the base year (100.0). The figure following table 1 illustrates the trend in constant dollar funding as well.

TABLE 1. ESEA Title I, Chapter 1 LEA Grant Appropriations, By Primary Program Year for Which Funds Are Used, 1965-66 Through 1993-94			
Program year	Chapter 1 LEA grant Appropriation, in thousands of current dollars	Chapter 1 LEA grant appropriation, in thousands of estimated 1992-93 dollars	Index for appropriation in estimated 1992-93 dollars (1965-66=100.0)
1965-66	$969,935	$5,349,730	100.0
1966-67	1,015,153	5,227,406	97.7
1967-68	1,100,288	5,272,036	98.5
1968-69	1,020,439	4,571,714	85.5
1969-70	1,219,166	5,026,528	94.0
1970-71	1,361,261	5,197,923	97.2
1971-72	1,438,367	5,144,131	96.2
1972-73	1,614,238	5,370,695	100.4
1973-74	1,511,247	4,712,205	88.1
1974-75	1,638,793	4,707,736	88.0
1975-76	1,641,951	4,298,863	80.4
1976-77	1,745,654	4,174,098	78.0
1977-78	1,951,251	4,316,404	80.7
1978-79	2,355,708	4,896,874	91.5
1979-80	2,776,578	5,325,708	99.6
1980-81	2,731,651	4,822,161	90.1
1981-82	2,611,387	4,252,928	79.5
1982-83	2,562,753	3,911,902	73.1
1983-84	2,727,588	3,940,555	73.7

TABLE 1. ESEA Title I, Chapter 1 LEA Grant Appropriations, By Primary Program Year for Which Funds Are Used, 1965-66 Through 1993-94

Program year	Chapter 1 LEA grant Appropriation, in thousands of current dollars	Chapter 1 LEA grant appropriation, in thousands of estimated 1992-93 dollars	Index for appropriation in estimated 1992-93 dollars (1965-66=100.0)
1984-85	$3,003,680	$4,123,415	77.1
1985-86	3,200,000	4,193,453	78.4
1986-87	3,062,400	3,838,827	71.8
1987-88	3,453,500	4,140,863	77.4
1988-89	3,829,600	4,412,752	82.5
1989-90	4,051,546	4,489,258	83.9
1990-91	4,806,484	5,106,889	95.5
1991-92	5,608,643	5,790,621	108.2
1992-93	6,199,419	6,199,419	115.9
1993-94	6,191,589	5,988,903	111.9

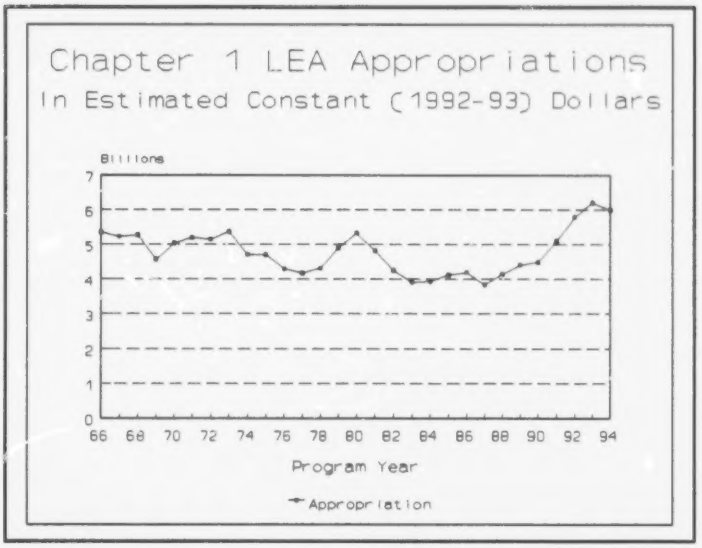
Table reads: For program year 1993-94, chapter 1 LEA grant appropriations are $6,191,589,000 in current (unadjusted) dollars, or an estimated $5,988,903,000 at the 1992-93 price level. This is 11.9 percent in estimated real (adjusted dollar) terms above the appropriation for 1965-66.

NOTES: Chapter 1 has been a forward funded program since fiscal year 1975. Therefore, beginning with the 1975-76 program year, these funds have been provided in appropriations acts for the preceding fiscal year (e.g., fiscal year 1992 appropriations for the 1992-93 program year).

The amounts shown in table 1 include chapter 1 basic and concentration grants, "capital expenses grants" for services to nonpublic school pupils, and program improvement grants.

The price index used to calculate estimated 1990-91 dollar values of appropriations is the fixed weight deflator for State and local government purchases of services, published by the Bureau of Economic Analysis, U.S. Department of Commerce.

Brief Analysis of Funding Trends



In estimated constant (1992-93) dollars, chapter 1 funding has exhibited three basic cycles over the program's lifetime. First, from 1965-66 through 1972-73, funding was relatively constant, falling within the index number range of 94.0 to 100.4 for all except 1 year (1968-69). The second cycle was the first of two periods when funding fell, then returned to approximately the same or slightly higher level in real terms--in this case, over the period of 1973-74 through 1979-1980. The minimum funding during this period was for 1976-77 (78.0). The final cycle was a deeper decline and recovery over the period of 1980-81 through 1992-93, when the real dollar index level fell to the 70s from 1981-82 through 1987-88, with the lowest at 71.8 for 1986-87. From 1986-87 through 1992-93, chapter 1 LEA grant funding has increased substantially in constant dollar terms, with only a small dip estimated for 1993-94, the most recent year for which funds have been appropriated.

The first dip in the real funding level for chapter 1 coincided with the later Nixon and Ford Presidencies, with the recovery occurring during the Carter Presidency. The second, deeper, decline in the real value of chapter 1 appropriations occurred during the early and middle years of the Reagan Presidency, when the Administration first proposed that chapter 1 be absorbed into a block grant to the States, then proposed annual cuts in chapter 1 appropriations of as much as one-third in current dollar terms.[4] Although the Congress maintained the basic nature of chapter 1, and did not cut funding as much as proposed by the Administration during this period, they nevertheless agreed to funding levels that declined in real, and occasionally even in current, (unadjusted) dollar terms during the early and middle 1980s. However, by the late 1980s, both congressional and (Bush) Administration support for chapter 1 funding had increased, and relatively large annual increases in chapter 1 appropriations have been adopted beginning with program year 1987-88 (budget fiscal year 1987). This trend has abated slightly in 1993-94. In spite of these increases, chapter 1 LEA grants for 1993-94 are estimated to be about 11

[4]The FY 1983 request was 34 percent below the FY 1982 appropriation in current dollars.

percent higher in 1993-94 than in the first year of the program (1965-66) in constant dollar terms.

PARTICIPATION TRENDS

- During the 1980s, total chapter 1 participation fell, then rose to a level slightly below that for 1979-1980, the peak year for which consistent data are available. Participation for private school pupils remains substantially below the 1984-85 level.

- There is no precise way to measure or estimate the share of eligible pupils who are served by chapter 1.

The following table 2 and figure 2 show the number of children served by chapter 1 during the period of 1979-1980 through 1988-89. These data are not shown for the entire life of the program because they are not available on a consistent basis for periods preceding 1979-1980, when the TIERS/CHIERS data system was established, while 1988-89 data are the most recent available currently.[5]

[5]TIERS/CHIERS stands for the Title I/Chapter 1 Evaluation and Reporting System, under which chapter 1 participation and achievement are reported annually by the States to the U.S. Department of Education. This system was initially developed as a result of requirements in the Education Amendments of 1978 (P.L. 95-561). Participation data were collected for earlier years, but are not considered to be comparable to the data collected under TIERS/CHIERS.

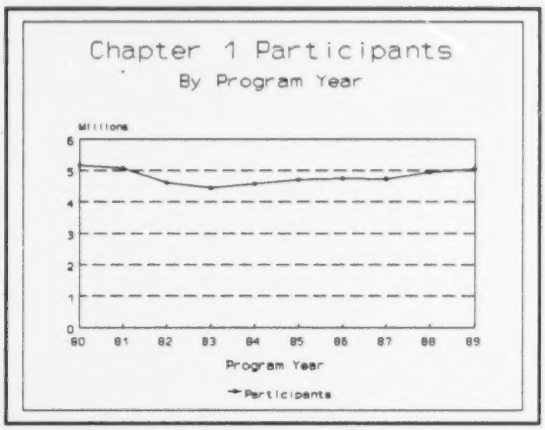
TABLE 2. ESEA Title I, Chapter 1 LEA Program Participating Pupils, 1979-1980 Through 1988-89				
Program year	Total participants	Index number (1979-80 = 100.0)	Nonpublic school participants	Index number (1979-80 = 100.0)
1979-80	5,162,822	100.0	189,114	100.0
1980-81	5,075,807	98.3	213,499	112.9
1981-82	4,618,531	89.5	184,084	97.3
1982-83	4,447,634	86.2	177,210	93.7
1983-84	4,572,635	88.6	190,660	100.8
1984-85	4,712,709	91.3	184,532	97.6
1985-86	4,739,870	91.8	127,922	67.6
1986-87	4,732,661	91.7	137,900	72.9
1987-88	4,950,522	95.9	136,618	72.2
1988-89	5,046,873	97.8	(see note below)	na

Table reads: In 1987-88, total participation in chapter 1 LEA grant programs was reported by the States to be 4,950,522 pupils. Of this total 136,618 of the pupils attended private schools. Expressing participation levels as index numbers, where the 1979-1980 participation level equals 100.0, the overall participation level for 1987-88 was 95.9 while the private school pupil participation level was 72.2.

Source: U.S. Department of Education. Office of Policy and Planning (formerly the Office of Planning, Budget, and Evaluation). *A Summary of State Chapter 1 Participation and Achievement Information for 1988-89*. p. 11.

NOTE: Beginning with data for 1988-89, the U.S. Department of Education's Office of Policy and Planning is reporting participation data in three categories--public schools, nonpublic schools, and institutions for neglected and delinquent children (which may be public or nonpublic). The disaggregation of neglected and delinquent participants between public and nonpublic institutions is not available. Thus, total participant data for 1988-89 are comparable to those for previous years, but not the separate figures for public and nonpublic school pupils. The reported number of nonpublic participants for 1988-89, excluding those in institutions for the neglected and delinquent, is 137,656.

Brief Analysis of Participation Trends



As illustrated in table 2 and the figure to the right, aggregate chapter 1 participation fell, then rose, during the 1980s in a pattern similar to that of the constant dollar appropriation level, at least through 1988-89. Under chapter 1, LEAs have a great deal of flexibility to determine how many of their educationally disadvantaged children to serve and, consequently, the level of services provided to each participating child. They could respond to changes in the constant dollar level of their grants by either changing the number of children served, or the amount spent per child served, or some combination of these responses.

Nevertheless, during the 1980s, LEAs tended to adjust the number of children served by chapter 1 directly in response to changes in the constant dollar appropriation level. A study of chapter 1 funding and participation trends in the early 1980s came to a similar conclusion, that reductions in the number of children served were proportional to reductions in the constant dollar level of program allocations. Thus, according to this study, the primary effect of reductions in chapter 1 allocations was a decrease in the number of children served, not the level of services (or development of more cost-efficient ways of providing services) per child.[6] If this trend continues, the significant increases in chapter 1 LEA grant appropriations for program years 1989-1990 through 1992-93 could result in substantially increased program participation for these years, when those data become available.

Proportion of Eligible Children Served

A perennial issue with respect to chapter 1 is the question of what proportion of **eligible** children are served. Unfortunately, *any* answer to this question is arbitrary because it requires dividing a known numerator--the participant data shown above--by an unknown denominator--the number of children eligible to be served by chapter 1. Neither the chapter 1 statute nor the regulations define the characteristics of children eligible to be served with sufficient precision to make possible a specific estimate of the number of such children. Those eligible to be served are educationally disadvantaged children--

[6]Advanced Technology, Inc. *Local Operation of Title I, ESEA 1976-1982: A Resource Book*. McLean, 1983. p. 1-5.

defined simply as children whose educational achievement is below the level appropriate for their age[7]--who reside in relatively[8] low income areas.

There are two primary reasons for this imprecision. First, the ambiguity enhances State and local flexibility in determining educational needs and how to measure them, and avoids congressional debates over such technically complex and educationally contentious issues. Second, since the program has been funded at levels well below the maximum authorized level for each year since 1965-66,[9] it has not been necessary to precisely define *all* the children eligible to be served--that might be a matter of practical concern only if the program were funded at something close to the full authorization.[10] Rather the law needs only to specify the selection of children *most* in need of chapter 1 services in each LEA, which guidance it does indeed provide.

Nevertheless, rough and indirect estimates are occasionally made of the percentage of children eligible for chapter 1 who are served. Typically, these are based on arbitrary assumptions regarding the aggregate number of eligible children. One of the most interesting and recent sources of an estimate of the proportion of eligible pupils served by chapter 1 is the annual survey of the number of children served and their achievement results. In the 1988-89 survey, published in late 1991, States were asked to report both the number of children served and the number eligible to be served by the program. Thirty States responded to this question with respect to public school pupils, and 26 States regarding private school pupils. These States reported that, on average, 49 percent of eligible public school pupils were served in 1988-89, as were 50 percent of eligible private school pupils.

Thirty States reported that, on average, 49 percent of public school pupils eligible for chapter 1 were served in 1988-89.

In contrast to the trends in aggregate chapter 1 participation, the number of participants attending nonpublic schools declined sharply after 1984-85 and remained almost 25 percent below that level in 1987-88. This is a result of a 1985 U.S. Supreme Court decision in the case of *Aguilar v. Felton* (see p. 62) that made it more difficult and/or expensive to serve pupils attending religiously affiliated nonpublic schools. According to the Court, LEAs could no longer serve these children under chapter 1 by sending public school teachers into the nonpublic

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[7]Code of Federal Regulations title 34, part 200.6

[8]I.e., relative to each LEA--thus, not on the basis of any national standard.

[9]For example, for program year 1989-1990 (FY 1989 appropriation), the authorization level for chapter 1 LEA grants, according to Congressional Research Service estimates, was $12.3 billion, but the actual funding level was $4.1 billion, 33 percent of the authorized level.

[10]Even this is not definitely true, since the full authorized funding level might not be sufficient to serve all, or nearly all, pupils that LEAs might deem to be eligible for chapter 1.

schools, as was the previous practice in most cases. These children must be served in public schools, or at "neutral sites" or other alternatives (such as through instructional technology).

Of the participants in chapter 1, the majority have always been in the elementary grades; in 1988-89, for example, 71 percent were in grades 1-6, and an additional 8 percent in prekindergarten or kindergarten. Only 5 percent of participants were in senior high school (grades 10-12). While chapter 1 services may be provided to pupils at any level from prekindergarten through grade 12, LEA officials have usually focused on the early grades. This appears to result from strategies to use chapter 1 in the early grades to prevent later school failure, greater ease of administering chapter 1 programs in the elementary grades, and wider availability of compensatory curricula for young children. While some have argued that services to secondary school pupils are equally important, and a separate chapter 1 program specifically for secondary school pupils was authorized in 1988 (part C), as of fiscal year 1992 this program had not been funded.

MAJOR FEATURES OF THE CHAPTER 1 LEA GRANT PROGRAM AND RELATED ISSUES

The remainder of this report provides a review of major features of the chapter 1 LEA grant program, especially the legislative and policy trends regarding chapter 1 in recent years. Over the period of 1980-92, chapter 1's existence was first seriously challenged by the Reagan Administration and others who argued that such categorical, targeted Federal education programs were inappropriate. However, instead of being absorbed into a block grant, as President Reagan proposed, chapter 1 was first greatly simplified in 1981,[11] then enhanced in terms of both flexibility, targeting, and performance incentives in 1983 and 1988.[12] Much of the following discussion focuses on the 1988 reauthorization of chapter 1 by the "Hawkins-Stafford Act," since this was the most recent comprehensive, national debate over chapter 1 policies and issues, and subsequent debates over the Federal role in elementary and secondary education.

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[11]The Education Consolidation and Improvement Act, part of the Omnibus Budget Reconciliation Act of 1981, P.L. 97-35

[12]Education Consolidation and Improvement Act Technical Amendments Act of 1983, P.L. 98-211, and Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988, P.L. 100-297

ALLOCATION FORMULAS

- Chapter 1 grants to LEAs are based primarily on counts of children in poor families plus a cost factor related to State expenditures for public elementary and secondary education.

- Allocation shares are scheduled to shift substantially among States and localities as 1990 census data on children in poor families are implemented for 1993-94 grants.

- Proposals have been offered to replace the current formula cost factor, as a result of which grants to some States are as much as 50 percent higher per poor child as in other States, with a single cost factor applying to all States.

- Proposals might also be offered to update counts of children in poor families more frequently than once every 10 years; to increase the targeting of chapter 1 basic and, especially, concentration grants on high poverty areas; to add fiscal effort or capacity (i.e., income or wealth) factors to the formula; to add counts of recent immigrant or limited English-proficient children to the formula; or to delete the small number of children counted in the formula because their families receive relatively high Aid to Families with Dependent Children payments.

In part because it is by far the largest program in the U.S. Department of Education (ED) in which funds are allocated by formula to State and local agencies, rather than individuals, the chapter 1 allocation formula has always been the focus of substantial congressional interest and debate. Further, the formula uses proxy measures--poor children as a proxy for low achieving children, State expenditures per pupil for costs of providing education--the appropriateness of which may be debatable. There is also frequent debate over the value of targeting limited funds on areas most in need, versus distributing funds relatively broadly, to assure wider participation in and greater political support for chapter 1. Also, the chapter 1 LEA grant formula has been used to allocate funds under other programs--e.g., to States under the Eisenhower Mathematics and Science Education Act (ESEA title II, part A) and the Drug-Free Schools and Communities Act (ESEA title VI), and within States under the Carl D. Perkins Vocational and Applied Technology Education Act--and proposed for use in still other new programs. Finally, at least once each decade--when new decennial census data become available--there is the potential for large shifts in allocation patterns, heightening the interest in making formula modifications.

Current Formulas

Chapter 1 LEA grants are calculated by the Federal Government on a county basis.[13] State education agencies (SEAs) receive the aggregate funds for counties in their State, then allocate the county amounts to individual LEAs. There are two LEA grant allocation formulas, for *basic* and for *concentration* grants, although funds from both formulas are combined by recipient LEAs and used jointly. Each is based on each county's number of **formula children** multiplied by a State **cost factor**. The **formula children** are those aged 5-17: (1) in poor families, according to the latest decennial census and applying the Census Bureau's standard poverty income thresholds; (2) in families receiving Aid to Families with Dependent Children (AFDC) payments above the poverty level for a family of four; and (3) in certain institutions for the neglected or delinquent. The number of poor children counted in the chapter 1 allocation formula is much greater than the other two groups of children. For 1991-92 allocations, a national total of 7,734,343 (96 percent of total formula children) poor children were counted in this formula, compared to 80,336 (1 percent) AFDC children and 283,037 (3 percent) neglected and delinquent children. While the counts of children from poor families are available only from the decennial census, the other two formula child counts are updated annually. The only threshold for chapter 1 basic grant eligibility is that a county or LEA must have 10 formula children in order to participate in the program.

The chapter 1 **cost factor**, by which formula child counts are multiplied to calculate maximum authorized chapter 1 payments, is the State average per pupil expenditure (SAPPE), held to limits of 80 percent and 120 percent of the national average, and further multiplied by 0.4. Thus, an average payment goal of 40 percent of the SAPPE per child counted is established in the formula as the intended level of supplementary funding per child. While the formula child factor is assumed to measure need for chapter 1 funds, the cost factor is intended to measure, within limits, variations among the States in the costs of delivering elementary and secondary education services.

The current statute requires that 10 percent of LEA grant appropriations be allocated using a different, *concentration grant* formula, under which only LEAs in counties where formula children equal either 6,500 or more children, or 15 percent or more of the total population aged 5-17, are eligible to receive grants. The concentration grants are not a separate program from basic grants--they are simply a supplementary fund distribution mechanism. The current concentration grant formula was adopted in 1988; there were previous chapter

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[13]The chapter 1 legislation has always specified that LEA grants should be made by the Federal Government at the LEA level, unless satisfactory data are not available, in which case grants are to be made at the county level. The relevant data--primarily counts of children aged 5-17 from poor families--have not yet been satisfactorily compiled at an LEA level by the Census Bureau. A provision of P.L. 100-297 requires such an LEA level compilation of data from the 1990 census, and an effort to do this is currently underway, with an estimated completion date of early 1993. Thus, satisfactory data to make chapter 1 allocations at an LEA level **might** become available in time for 1993-94 grants, but it is uncertain whether the data will be sufficiently reliable for this purpose, and whether the U.S. Secretary of Education will decide to use them.

1 concentration grant formulas, intended to focus some of the funds on areas of greatest need, but this is the first for which appropriations have consistently been provided.

The current concentration grant formula is not highly concentrated or focused.

The current concentration grant formula is not highly concentrated or focused. The 15 percent threshold is below the national average proportion of school age children who are counted in the chapter 1 formula (17 percent using 1991-92 data), and approximately two-thirds of all children reside in counties that meet one of the eligibility thresholds. Further, the current formula--unlike previous ones--provides the same relative gain, compared to distribution of an equal amount of funds under the basic grant formula, to LEAs in all counties meeting the 15 percent threshold, whether their "poverty rate" be 16 percent or 50 percent.[14]

There are additional LEA grant formula characteristics, including: (a) a "hold harmless" provision under which basic grants to LEAs (and county aggregates) may not be less than 85 percent of their previous year level;[15] (b) special provisions resulting in a lower cost factor for Puerto Rico than for the 51 States plus the District of Columbia;[16] and (c) State minimum grant provisions for both basic and concentration grants, set at 0.25 percent of total allocations in general, but with several caps (e.g., no State may receive more than 150 percent of the national average grant per child counted in the allocation formula).

Issues and Options

Recent congressional interest in chapter 1 allocation formulas has centered on possible effects of the 1990 census, greater targeting on areas with concentrations of poverty, and the appropriateness of the formulas' cost factor. The potentially more basic issues of whether poverty should be used as a proxy for educational disadvantage and, if so, whether the current poverty measure is

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[14]For further information, see Riddle, Wayne. Chapter 1 Concentration Grants: An Analysis of the Concept and its Embodiment in Federal Elementary and Secondary Education Legislation. *Journal of Education Finance*. p. 285-303.

[15]The basic grant hold harmless provision usually has significant effects only during transition periods when new census poverty data become available.

[16]The cost factor for Puerto Rico is the minimum cost factor applied to the 50 States plus the District of Columbia (.4 times 80 percent of the NAPPE) further multiplied by the ratio of Puerto Rico's SAPPE divided by the lowest SAPPE for any of the 50 States plus the District of Columbia.

most appropriate, have attracted relatively little attention for at least a decade.[17]

1990 Census

As noted earlier, the arrival of new census data to update the child poverty counts has in the past resulted in significant allocation shifts, and renewed debate over the appropriateness of the chapter 1 formula. Also of interest is the possible future availability of **LEA** level data from the 1990 census, so that basic and--especially--concentration grants might be determined by the Federal Government on an LEA, not county, basis.[18]

In May 1992, the U.S. Bureau of the Census released data from the 1990 census on the number of school-age (5-17 years) children living in poor families for U.S. States and counties, the primary factor in the allocation of most funds under chapter 1. ED had earlier announced that it would base chapter 1 grants for 1992-93 on the 1980 census data; the 1990 data would be used for 1993-94 grants. The U.S. Secretary of Education had earlier indicated a preference for using the 1990 data to make 1992-93 grants, but decided to use the older data to avoid delays and the resulting difficulties in State and local planning for the upcoming school year.

Between 1980 and 1990, the change in the number of children from poor families in individual States varied widely, from a decrease of 37.8 percent to an increase of 57.4 percent.

While the aggregate number of poor school-age children in the 50 States and the District of Columbia was found to have increased by 6.0 percent between 1980 and 1990, the change in the number of such children in individual States varied widely, from a decrease of 37.8 percent to an increase of 57.4 percent. If the chapter 1 formulas and other relevant factors remain relatively unchanged, this would lead to large shifts in chapter 1 grants among local educational agencies (LEAs), States and regions when the 1990 data are used in the chapter 1 allocation formulas.

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[17]An additional source of analyses of the chapter 1 and other Federal elementary and secondary education program allocation formulas is *The Distribution of Federal Elementary-Secondary Education Grants Among the States, Final Report on the Study Mandated by Congress in P.L. 100-297, Section 6207*, by Stephen M. Barro, 1991, for the Office of Policy and Planning, U.S. Department of Education. 280 p.

[18]Chapter 1 basic grants are to be allocated by LEA if satisfactory data become available. The project of compiling the 1990 census by LEA is being carried out by the National Center for Education Statistics in cooperation with the Council of Chief State School Officers (CCSSO). It is unclear when this project will be completed. The development of such an LEA data file was mandated in P.L. 100-297. However, the Congress has adopted such mandates before, and they were not successfully carried out.

Table 3, below, illustrates at the **State** level[19] the number of poor school-age children according to both the 1980 and 1990 census, and the percentage change in the number of these children between 1980 and 1990. Further, the table shows each State's percentage change in share of the national total number of such children between 1980 and 1990.[20] For example, Alabama had 2.771 percent of all poor school-age children in the 50 States plus District of Columbia in 1980 and 2.358 percent in 1990; this is a decline of 14.9 percent. Assuming chapter 1 is not fully funded[21] and the formula is not revised, it is the latter figure that best indicates the direction of change in State allocation shares when 1990 census data are used in the chapter 1 formulas. For example, as 1990 data are applied to the chapter 1 LEA grant formulas over a 2-3 year period, if the formulas and other formula factors remain relatively unchanged, the share of funds going to Alabama would decrease by approximately 15 percent, and those to California would increase by approximately 30 percent.

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[19]Chapter 1 grants are made to LEAs via State education agencies (SEAs). Since the formula data have never been available at the LEA level (they may be compiled later from the 1990 census), the Federal Government calculates grants on a county basis. In most States there are multiple LEAs per county, and the SEAs allocate county amounts using information available to them on the distribution of poor school-age children among the LEAs in each county.

[20]Note that the data in the table do not include Puerto Rico, which is treated largely as a State in the chapter 1 formulas. The relevant Puerto Rico data from the 1990 census are not yet available. Puerto Rico data could significantly affect grants not only to that jurisdiction but also to the States.

[21]The current funding level is less than one-half of the authorized amount.

TABLE 8. State Numbers and Shares of Poor School-Age Children, 1980 and 1990				
State	Number of poor school-age children, **1990** census	Number of poor school-age children, **1980** census	Percentage change in **number** of poor school-age children, 1990 minus 1980	Percentage change in **share of the national total** of poor school-age children, 1990 minus 1980
Alabama	177,908	197,293	-9.8%	-14.9%
Alaska	10,887	10,140	7.4	2.3
Arizona	136,177	89,400	52.3	43.8
Arkansas	106,675	110,779	-3.7	-9.1
California	894,202	647,040	38.2	30.4
Colorado	81,787	62,352	31.2	23.8
Connecticut	50,309	65,286	-22.9	-27.3
Delaware	12,327	17,981	-31.4	-35.3
District of Columbia	18,355	27,862	-34.1	-37.8
Florida	343,642	323,890	6.1	0.1
Georgia	228,344	248,422	-8.1	-13.2
Hawaii	20,303	22,639	-10.3	-15.4
Idaho	32,064	27,951	14.7	8.3
Illinois	327,904	335,021	-2.1	-7.6
Indiana	132,403	129,587	2.2	-3.6
Iowa	65,066	64,377	1.1	-4.6
Kansas	59,370	49,035	21.1	14.3
Kentucky	160,547	165,634	-3.1	-8.5
Louisiana	267,035	220,160	21.3	14.5
Maine	26,703	36,015	-25.9	-30
Maryland	82,451	103,938	-20.7	-25.1
Massachusetts	112,193	140,328	-20.0	-24.5
Michigan	287,678	252,874	13.8	7.4

TABLE 3. State Numbers and Shares of Poor School-Age Children, 1980 and 1990

State	Number of poor school-age children, **1990** census	Number of poor school-age children, **1980** census	Percentage change in **number** of poor school-age children, 1990 minus 1980	Percentage change in **share of the national total** of poor school-age children, 1990 minus 1980
Minnesota	93,010	80,625	15.4%	8.9%
Mississippi	177,433	179,514	-1.2	-6.7
Missouri	150,289	138,627	8.4	2.3
Montana	29,257	20,906	39.9	32.1
Nebraska	36,560	36,935	-1.0	-6.6
Nevada	22,931	14,494	58.2	49.3
New Hampshire	12,094	17,130	-29.4	-33.4
New Jersey	134,093	202,592	-33.8	-37.5
New Mexico	82,713	64,375	28.5	18
New York	530,668	625,160	-15.1	-19.9
North Carolina	180,305	220,162	-18.1	-22.7
North Dakota	19,892	18,831	5.6	-0.3
Ohio	321,349	276,913	16.0	9.5
Oklahoma	119,464	91,782	30.2	22.8
Oregon	67,586	54,816	23.3	16.4
Pennsylvania	283,919	309,115	-8.2	-13.3
Rhode Island	19,208	23,195	-17.2	-21.8
South Carolina	130,600	142,975	-8.7	-13.8
South Dakota	26,474	28,154	-6.0	-11.2
Tennessee	168,816	192,903	-12.5	-17.4
Texas	791,190	568,132	39.3	31.4
Utah	48,940	33,435	46.4	38.2

TABLE 3. State Numbers and Shares of Poor School-Age Children, 1980 and 1990				
State	Number of poor school-age children, **1990** census	Number of poor school-age children, **1980** census	Percentage change in **number** of poor school-age children, 1990 minus 1980	Percentage change in **share of the national total** of poor school-age children, 1990 minus 1980
Vermont	10,659	13,940	-23.5	-27.8
Virginia	129,123	157,111	-17.8	-22.4
Washington	110,582	83,607	32.3	24.8
West Virginia	79,534	74,209	7.2	1.2
Wisconsin	121,332	95,872	26.6	19.4
Wyoming	12,386	7,428	66.7	57.4
U.S. Total	7,544,737	7,120,942	6.0%	0.0%

NOTE: Data for Puerto Rico are not yet available.

Brief Analysis of Population Shifts

While shifts in State shares of poor school-age children are the best indicator of changes in State allocation shares when the 1990 census data are used in chapter 1 formulas, they will **not** be translated immediately or precisely into such allocation shifts. First, during the first year that 1990 data are used for most chapter 1 LEA grants, presumably 1993-94, 1980 data would still be used for the concentration grant formula.[22] Second, the 85 percent basic grant "hold harmless" provision will limit increases and decreases for at least 1-2 years of adjustment.[23] Third, Congress might consider modifying the chapter 1 LEA grant formulas, especially during the scheduled reauthorization of the ESEA by the 103d Congress. Finally, it must be emphasized that allocation shifts will be at the county and LEA--not the State--level, and localities may experience shifts

[22]Under the concentration grant formula, 10 percent of chapter 1 LEA grants are allocated to LEAs in counties that, in the **previous** year, had 6,500 or more children counted in the chapter 1 formula, or in which such children constituted 15 percent or more of all school-age children.

[23]Even if there is no change to the formulas, the full effect of population shifts would not be felt immediately because of a "hold harmless" provision for chapter 1 basic grants, that no LEA may receive less than 85 percent of its grant for the previous year. This limits immediate grant decreases, and indirectly limits increases for areas with increasing population shares by shifting funds from them to pay for the hold harmless in areas with falling population shares. Also, very small States that receive increased grants as a result of the 0.25 percent State minimum grant provision are affected by a 50 percent cap on annual increases in funding.

that are significantly different from the State averages shown above; e.g., a particular LEA's grant might increase even if total grants to a State decrease.

The preceding table indicates several distinct regional patterns in the shifts in poor school-age population between 1980 and 1990. **Increases** in State shares of this population are greatest (20 percent or more) in most Southwestern and Northwestern States. There are also substantial (5-20 percent) increases in the remaining West Coast and Rocky Mountain States (Idaho, Oregon, and New Mexico), several Midwestern States (Michigan, Minnesota, Ohio, and Wisconsin), plus Nebraska and Louisiana. **Decreases** in State share of poor school-age children are greatest (20 percent or more) in the New England States plus New Jersey, Virginia and North Carolina. Lesser decreases (5-20 percent) are found for most mid-Atlantic and Southern States, plus Hawaii, Illinois, Nebraska, and South Dakota. Finally, changes are relatively **insignificant** (up or down 5 percent or less) in the remaining States of Alaska, North Dakota, Iowa, Missouri, Indiana, and Florida.

These shifts in State shares of children from poor families may reflect at least three patterns of demographic and economic change. First, there has been a general shift in population toward the Southern and Western States. Second, relatively large scale immigration appears to have increased the population of poor families with children especially in such States as California and Texas. Third, these data are based on family income for 1989, when areas such as Texas, Oklahoma, the upper Midwest, and the Rocky Mountain States were in economic distress (e.g., relatively high rates of unemployment and low rates of income growth), but the recent recession had not yet hit the Eastern States as it would in 1990 and 1991.

Updating Census Data

The relatively large shifts in the distribution of children from poor families between 1980 and 1990 bring attention to the long time gap between decennial census collections. In theory, such large shifts in allocation shares could be avoided, and grants more accurately reflect the current distribution of poor children, if census data could be updated more often than once every 10 years.

While the Census Bureau collects a variety of population data annually, primarily though the Current Population Survey (CPS), population sample sizes for these surveys are too small currently to provide reliable estimates of the number of poor school-age children, or even poor persons in general, at an LEA, county, or even a State level. One option would be to increase the population sample size of at least some of these CPS surveys each decade sufficiently to provide reliable estimates of the number of poor-school age children, at least at the State level, implicitly assuming that the distribution of poor children **within** States has remained relatively constant.[24] Another possibility would be to use

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[24]I.e., the decennial census count of poor children for each LEA or county in a State would be adjusted by the CPS figure for statewide change in the number of such children. Any possible (continued...)

the currently collected CPS data on **total** (not just poor) school-age children by State to update the census data, implicitly assuming not only that shares of poor children among localities within States remain constant, but also that State shares of poor children are changing at the same rate as State shares of all school-age children.[25] Another possibility that has been suggested is to revise Census poor child data on the basis of annual State data on the number of children eligible for and receiving free or reduced price school lunches, or the number of children in families receiving AFDC payments.[26]

Any of these methods involve application of arbitrary assumptions that are only partially correct. County or LEA shares of a State's total number of poor children generally do not remain constant over time periods of as much as a decade; changes in State numbers of poor children are not the same as changes in their number of all children; and school lunch or AFDC participation are imperfectly related to underlying changes in the number of poor children in a State or locality. However, the issue is not whether such adjustments are "perfect;" rather it is whether they would result in population estimates that are "less imperfect" than the current method of using population data that are as much as 12-13 years old.

Targeting

During the 1987-88 debate over chapter 1 reauthorization, the question of whether chapter 1 funds are appropriately targeted on areas most in need was at least temporarily settled by adoption of the current concentration grant formula, and the requirement that 10 percent of funds be distributed under it, as described above. Nevertheless, there are some who feel that chapter 1 basic grants are distributed too broadly, and that the concentration grant formula is not sufficiently "concentrated." No measure of State or local resources is considered in the formula except, indirectly, the cost factor (see below). With the only threshold for basic grant participation being the presence of 10 poor children in a county or LEA, areas with very low poverty rates, and substantial ability to pay for education services, can, and do, receive chapter 1 grants.

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[24](...continued)
change in the distribution of poor children among LEAs or counties **within** the State could not be taken into account.

[25]For example, if a State's number of children aged 5-17 years were to increase by 2 percent between 1990 and 1991, then it would be assumed that its number of children aged 5-17 years from poor families had also increased by 2 percent over that period.

[26]As is discussed further in later portions of this report, children are eligible for a free school lunch if their family's income is below 135 percent of the poverty income level for a family of their size, and for a reduced price school lunch if the income is below 185 percent of the poverty rate. Since these data are updated annually, and available at the individual school level, they are often used in the process of selecting schools and residential areas in which chapter 1 services are to be offered. Nevertheless, there are problems associated with using school lunch data for this purpose, especially that participation may be less than the number eligible, and in particular that eligible secondary school pupils may not participate in the school lunch programs.

Analyses published as part of the previous National Assessment of Chapter 1 in 1986 indicate that there is a statistically significant relationship between poverty and educational disadvantage in general, but there is a much stronger relationship between concentrated poverty and educational disadvantage. In other words, the poverty of a child's family is more likely to be associated with educational disadvantage if the family lives in a geographic area with large numbers or proportions of poor families. The current National Assessment of Chapter 1 has further found that the average achievement levels for **all** students in high poverty schools is lower than that for **chapter 1 participants** in low poverty schools.[27]

One possible formula revision to further concentrate chapter 1 funds on relatively high poverty areas would be to raise one or both of the thresholds for eligibility to receive concentration grants from their current levels of 15 percent or 6,500 children. Whatever the thresholds, the required share of funds to be allocated under the concentration grant formula could be increased above 10 percent. Further, the formula could be revised so that only numbers of children **above** the thresholds would be counted in allocating funds, increasing the proportion of concentration grant funds going to LEAs with the highest number or percentage of children from low income families.

Another option would be addition to the **basic** grant formula of an "absorption" factor whereby only LEAs or counties with poverty rates above some minimum level--perhaps at least 5 percent--would participate. If it were also provided that only formula children in excess of the absorption level were counted in allocating funds, then the formula would provide relatively more funds per poor child, the higher a locality's poverty rate.

Within LEAs, the chapter 1 provisions for selection of schools at which services may be provided (discussed later in this report) could be modified to target funds more on schools serving high poverty populations. Currently, as a result of several options available for school selection, a majority of public schools offer chapter 1 services, including 76 percent of all public elementary schools. Many of these school-level chapter 1 programs are relatively small and marginal, and take place in schools with very low pupil poverty rates.[28]

A recent General Accounting Office (GAO) report[29] suggests that the chapter 1 basic grant formula could be revised to consider not only the number of poor children in a locality but also the **square** of that number. This would increase the share of grants going to areas with large numbers of poor children.

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[27]U.S. Department of Education. Office of Policy and Planning. *National Assessment of the Chapter 1 Program, The Interim Report*. June 1992. p. 153.

[28]U.S. Department of Education. Office of Policy and Planning. *The Chapter 1 Implementation Study*. 1992. p. 1-1 to 1-4.

[29]U.S. General Accounting Office. *Remedial Education: Modifying Chapter 1 Formula Would Target More Funds to Those Most in Need*. July 1992. HRD-92-16. 28 p.

A concern about all efforts to increase the targeting of chapter 1 grants on high poverty areas is that reductions in the range of areas receiving grants might diminish the aggregate political support for the program and its funding. Thus, the net result might be an increased share of a smaller total chapter 1 funding level going to high poverty areas. It is not possible to estimate the potential extent of this effect, but it could serve as a caution to advocates of substantially greater targeting of chapter 1 grants.

Cost Factor

The appropriateness of the chapter 1 cost factor has been questioned by some observers. While the purpose of taking into account differences in the cost of providing educational services is widely accepted, the current chapter 1 formula cost factor is a less than ideal way to do so. First, this factor varies only by State, yet costs are likely to vary as much within as between States. Second, the SAPPE reflects not only differences in costs but also variations in ability and willingness to pay, extent of school employee unionization, and other factors that can influence the level of a State's average per pupil expenditure. For example, there is a close correlation between the SAPPE and personal income per capita for the States.[30] Third, the specification of what expenditures or pupil counts are included or excluded in the SAPPE varies somewhat among the States, leading to anomalous differences in chapter 1 grants per pupil.[31] Finally, the national average per pupil expenditure is applied to **all** States under some other Federal elementary and secondary education programs, particularly the State grant program of the Individuals with Disabilities Education Act, without an obvious basis for this difference from chapter 1's use of varying (within 80-120 percent limits) State average per pupil expenditure.

In response, proponents of the current chapter 1 cost factor argue that no more direct measure of educational costs is available nationwide, and that the current provision is preferable to having no cost factor at all. While such alternative proxy cost measures as average teacher salaries or average private sector wages have been suggested by some, they are not clearly preferable as measures of true cost differences among States. Second, the cost factor has limited effect, being constrained within the bounds of 80 and 120 percent of the national average. Third, it might even be argued that the cost factor indirectly and partially compensates for the lack of State or regional variation in the income thresholds used for determining the number of school age children in

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[30]Hence, on average, the higher is a State's average income level, the higher is its SAPPE.

[31]For example, it has been reported that California includes in its calculation of average daily attendance (ADA--the pupil count used to calculate the SAPPE) not only the number of children actually in attendance, but also children out of school on excused absences. This inflates the State's ADA count, compared to other States, making it more comparable to the ADM (average daily membership) concept. As a result, the level of California's expenditures per pupil in ADA are lower than they would be if the State calculated ADA in the same manner as other States, leading to reduced chapter 1 grants for California.

poor families, the primary element of the chapter 1 formula.[32] Fourth, it has been argued that the current variable State cost factor provides an incentive for States to increase their spending for public elementary and secondary education, since this has the additional effect of increasing their grants under chapter 1 (see following section). However, the size of this incentive effect is likely to be quite small, given the low level of chapter 1 grants in comparison to aggregate State and local revenues for public elementary and secondary education.[33]

An amendment to use the national average cost factor for all States in the chapter 1 formula was offered during Senate floor debate on S. 2, the Neighborhood Schools Improvement Act, in January 1992. The amendment was not adopted. Obviously, such an amendment would reduce grants to most States with above average cost factors, and increase grants to most of those with below average cost factors.[34]A recent GAO report suggests modifying the chapter 1 cost factor to consider both the SAPPE and each county's level of personal income per child, increasing grants to low income areas and reducing them to high income areas, in comparison to the current formula.[35] This suggestion is also relevant to the following section of this report.

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[32]Although costs of living vary between and within States, the income thresholds used to determine whether a family is poor are the same throughout the Nation, with the exception of special, higher thresholds for Alaska and Hawaii.

[33]For example, in 1989-1990, chapter 1 grants constituted only 2.2 percent of total expenditures for public elementary and secondary education.

[34]While it might be assumed that **all** States with above average SAPPE would lose, and **all** with below average SAPPE would gain, this is not necessarily the case. The national average per pupil expenditure is based upon the State figures **weighted** by **total** pupil counts (more specifically, average daily attendance by all pupils). However, when applied to chapter 1, the SAPPE figures are, in effect, weighted by State counts of poor children, not all children. The national average as weighted by poor pupil counts will usually be somewhat above or below the average weighted by total pupil counts. As a result, for example, some States with SAPPE somewhat below the national average, may nevertheless have a chapter 1 cost factor somewhat above the average cost factor weighted by poor child counts, and might therefore lose, not gain, from an amendment to use the national average cost factor for all States.

To illustrate with a simplified example, assume that a nation has only two States, A and B. Each has 100 total school-age children, but in State A, 25 of these children are in poor families, while in State B, 50 are in poor families. Further assume that the SAPPE for State A is $6,000, while the SAPPE for State B is $3,000. The NAPPE for this nation would be $4,500--i.e., the average of $3,000 and $6,000, weighing each by their total school age population, which in this case is equal for each (at 100). However, the average of the SAPPE for the two States weighed by their counts of children in poor families would be $3,990, with twice as much weight placed on the lower SAPPE of State B, with its 50 children in poor families, than on the higher SAPPE of State A, with its 25 children in poor families.

[35]U.S. General Accounting Office. *Remedial Education: Modifying Chapter 1 Formula Would Target More Funds to Those Most in Need*. July 1992. HRD-92-16. 28 p.

Fiscal Capacity or Effort Factors

The chapter 1 formulas do not currently incorporate any direct measures of State or local fiscal capacity or effort, although such factors are included in the allocation formulas for many other Federal programs of aid to States and localities. **Fiscal capacity** factors measure the ability of States or localities to raise revenues for public elementary and secondary education; typical measures include personal income, gross State product, or measures developed by the Advisory Commission on Intergovernmental Relations (ACIR) that consider a broad range of State and local tax bases.[36] Capacity measures are usually expressed on a per capita basis, although the population considered may be either the total population or only the school age population.

Fiscal effort factors measure expenditures--either for all State and local public services, or specifically for public elementary and secondary education--**in relation to** some measure of capacity. One such measure is the State's average per pupil expenditure divided by its personal income per capita; another is the ACIR's tax effort measure, which compares State and local government expenditures per capita relative to the ACIR tax capacity measure described above.

Chapter 1 once had a **separate** formula providing supplementary grants to States with above average public elementary and secondary education expenditures relative to personal income.[37] If a new fiscal capacity factor were added to the chapter 1 formula, it would presumably be used to raise grants to States with relatively low fiscal capacity per person, and reduce them to States with relatively high fiscal capacity per person. Conversely, an effort factor would presumably be applied so as to raise grants to high fiscal effort States, and lower them to States with below average fiscal effort.

It could be said that the current chapter 1 cost factor, discussed above, **indirectly** and partially acts as both a measure of fiscal capacity and effort. However, while this factor does increase grants to States that increase their spending for public elementary and secondary education, this spending is not measured in relation to a State's ability to raise revenues. In fact, to the extent that relatively high expenditures per pupil reflect relatively high fiscal capacity in a State, then the cost factor acts to reward the States with high income or

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[36]Gross State product is analogous to the Gross Domestic Product for the Nation, but is compiled on a State basis; it is a measure of the market value of all goods and services produced by firms located in a State. The ACIR measures of tax capacity take into account all of the economic assets or activities that are typically taxed by States or localities--e.g., personal and corporate income, real property, retail sales, etc.--weighing each of these to reflect the extent to which State and local governments raise revenues on the basis of them. For example, if, on average, 20 percent of State and local government revenues were raised from personal income taxes, then 20 percent of each State's fiscal capacity measure would be based on the State's relative level of taxable personal income per capita.

[37]Part B, Incentive Grants, from 1968 through 1978.

wealth; this is the opposite of the intended effect of other fiscal capacity measures, which is to compensate for relatively low wealth or income.

Consideration of Immigrant or Limited English Proficient Children

Throughout the life of the chapter 1 program, counts of children in poor families have been considered to be the best available proxy measure of the number of children who are educationally disadvantaged in a locality. Such possible alternatives as the number of children scoring below some threshold on a national (or comparable series of State or other) assessment have never been available for all localities or even States, although they might become available in the future.[38] There has in the past been some interest in considering the use of measures of low income other than the standard Census Bureau poverty measure,[39] but there is little analytical basis for evaluating such alternatives in comparison to the standard census poverty measure, and there has been very little attention to them in recent years.

However, in view of the rapid increase in immigration and the related rise in the number of limited English proficient (LEP) pupils in recent years, some consideration might be given to supplementing the count of children from poor families in the chapter 1 formula with counts of LEP or recent immigrant children, correcting for duplication of these child counts. In many parts of the Nation, especially fast growing areas with especially high rates of immigration, educational disadvantage among pupils is increasingly associated with immigrant or LEP status. Large numbers of LEP children are served by chapter 1, as is explicitly allowed under the statute as long as these children are educationally disadvantaged, and not simply limited in their English language proficiency.[40]

While many such children live in poor families counted in the decennial census, many are not included in the poverty count. Supplementation of the poor child counts to include any LEP or immigrant children not included in the poverty count might help the formula better reflect the current distribution of educationally disadvantaged children among the Nation's States and localities.[41] A primary disadvantage to including these data in the chapter 1

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[38]Interest in pupil assessment issues, especially the possibility of establishing a network of comparable State or regional assessments, is currently very high, especially after the National Commission on Educational Standards and Testing recommended such a system in its report of early 1992. However, it would be several years before such a system exists, if ever.

[39]Such alternatives might include counts of children in poor and "near-poor" families, using perhaps an income threshold of, for example, 150 percent of the standard poverty rate; or a relative measure of low income, such as the number of children in families with income below one-half of the national median income for a family of the same size.

[40]If a child is not a low achiever in his/her native language, he or she should not be participating in chapter 1.

[41]Presumably, 1990 census data would be used for this purpose. In addition, ED produces annual reports on the estimated number of LEP children, and the Immigration and (continued...)

formula is that this might amplify the already large shifts in funds that may be projected on the basis of poor child counts from the 1990 census--i.e., that the States experiencing increases from including immigrant or LEP children might be largely the fast-growing Southwestern and Pacific coast States with much higher shares of poor children in 1990 than in 1980. Further, if the only source of these data at the county or LEA level is the decennial census, use of old data in future years may be even less appropriate than in the case of poor child counts, since immigration patterns may change substantially over a decade.

AFDC Factor

As noted in the earlier discussion of the current chapter 1 LEA grant formulas, a small number--about 1 percent of the total--of the children counted are included on the basis of AFDC payments. Specifically, these are children in families receiving AFDC payments above the poverty level for a family of four. Since the initiation of chapter 1 in 1965, the child count has always included children in families with income below some "poverty" income level, plus children in families with AFDC payments above that poverty level.[42] The idea was that children should not be excluded from the formula if their family's income exceeds the poverty level because of AFDC payments. For the first decade of chapter 1's existence, the number of such "AFDC children" counted was nearly as large as the number of "poor" children--in some years, the AFDC child count was actually higher.[43]

The number of children counted in the chapter 1 formula on the basis of AFDC payments above the poverty level is quite small. There are two basic reasons for this. First, AFDC payments have not increased as fast as the poverty income thresholds, and second, AFDC payments must exceed the poverty level for a **family of 4** in order for the children to be counted, and many families receiving AFDC have fewer than four members. Obviously, such a relatively small number of children has only a marginal effect on the overall distribution of chapter 1 grants. However, this formula factor may be worth reviewing simply because it has become so small and anomalous. Further, the

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[41](...continued)
Naturalization Service (INS) provides annual data on the number of documented immigrant children, each of these on a **State** level. However, there have been concerns about the methods by which these data are compiled. Further, it would not be possible to compare these State totals with data on poor children in order to exclude duplicate counts.

[42]The original chapter 1 formula child count was children in families with income below $2,000 plus those in families receiving AFDC payments above $2,000 (plus the groups of neglected and delinquent children who are still included in the formula).

[43]Between release of 1970 census data on children in families with income below $2,000, and revision of the chapter 1 formula in the Education Amendments of 1974, the number of children counted on the basis of AFDC Payments exceeded the number counted on the basis of the $2,000 poverty level.

children are located in only a few States and counties in the Nation, with over 70 percent of them in one State--California.[44]

SELECTION OF SCHOOLS AND PUPILS/TARGETING ON AREAS AND PUPILS WITH GREATEST NEED

As noted earlier, chapter 1 provisions focus on aiding pupils who are the **most** educationally disadvantaged among those attending public schools, or attending private schools but residing in public school attendance areas, serving the lowest income neighborhoods in an LEA. However, several forms of local flexibility are allowed in the selection of participating schools and pupils, with the result that chapter 1 services are provided to at least some pupils in a large percentage of public schools.

Selection of Schools/Attendance Areas

- Chapter 1 school selection techniques do not sharply target schools with high poverty rates by national standards. Relatively large proportions of public schools are selected as chapter 1 sites, yet several high poverty schools do not have chapter 1 programs.

- Chapter 1 school selection techniques are implicitly based on concepts of neighborhood school attendance zones that are becoming anachronistic in many LEAs.

- There has been debate in recent years over whether chapter 1 should continue to focus on schools or on individual pupils.

As a first step in the selection of participating schools, LEAs may choose the grade levels to be served in their chapter 1 program--e.g., an LEA may decide to serve pupils at all grade levels, kindergarten through 12, or only to serve pupils at selected grade levels, such as grades 1-6. In any case, schools are compared only with other schools serving the same grade levels when selecting participating schools.

Next, the public schools serving each grade level at which chapter 1 services will be offered are ranked with the others, on the basis of either their number or percentage of children from low income families. The data may be based either on the pupils actually enrolled in a school, or on the school-age children living in the school's attendance area. Family income is to be determined using the best data available to the LEA; usually the data used are either counts of children eligible for and receiving free or reduced price school lunches, or total children in families receiving support under the AFDC program. Both of these measures of low family income are flawed, but typically no other such

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[44]Of the 51,811 AFDC children counted in the chapter 1 formula for 1992-93, 36,611, or 71 percent, were in California. Most of the remainder were in New York (20 percent) and Washington (5 percent). Thirty-one States and the District of Columbia had no children counted in the chapter 1 formulas on the basis of AFDC payments.

measure is available on the basis of school enrollment or attendance area residence.[45]

LEAs may then select chapter 1 schools or attendance areas from among those with the highest number or percentage of children from low income families, in rank order, compared to other schools serving the same grade level. However, several alternative options are provided for this process:

- if the LEA has total pupil enrollment of 1,000 or fewer, it may select schools in any way it chooses,
- if there is no substantial variance in the poor child percentage[46] among an LEA's schools serving a grade level, then all such schools may be selected,
- in general, schools with a poor child rate of 25 percent or more may be selected,
- in limited circumstances, LEAs may select some schools on the basis of their low pupil achievement levels, not their low income levels,[47]
- schools may be selected if they met the selection criteria and had chapter 1 programs in the preceding year, even though they do not meet the criteria in the current, and
- schools may be skipped if they are receiving services similar to chapter 1 services under State or local remedial education programs.

After public schools are selected on the basis of these criteria, LEAs must then identify disadvantaged children of the same grade level who live in the attendance area served by each of these public schools but who attend private schools. Chapter 1 services should be provided to these private school pupils in a manner that is equitable in comparison to the services to public school pupils. The provisions for serving private school pupils under chapter 1 are discussed in a later section of this report.

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[45]The primary difficulties with the school lunch and AFDC data as measures of low family income are: often pupils, especially at the secondary level, are eligible for free or reduced price school lunch, or their families are eligible for AFDC payments, but they do not apply; and the low income thresholds for these programs are substantially different from the poverty thresholds used to tabulate census data on children from poor families (used to allocate chapter 1 funds)--for example, the threshold for a free school lunch is 135 percent of the census poverty threshold, and that for a reduced price school lunch is 185 percent of the census poverty measure. Alternatively, the AFDC threshold may be lower than the poverty level.

[46]This is defined as a variation of no more than +/- 5 percentage points in the poor child rate.

[47]This may be done only if it does not result in a net increase in the number of schools selected (compared to selection solely on the basis of income), and if it does not "substantially impair the delivery of" services to "deprived children from low-income families in project areas served by the local educational agency" (sec. 1013(b)(3)).

Issues and Options Regarding School Selection

One aspect of this school selection process that is becoming somewhat anachronistic in many localities is its implicit assumption that public schools serve fixed "attendance areas"--specified neighborhoods in the LEA from which all public school pupils of a certain grade level attend a particular school. Movement of pupils outside such a neighborhood attendance area is explicitly recognized only in limited cases.[48] In contrast to this assumption, LEAs increasingly offer pupils and families in the same neighborhood some degree of choice among public schools.

While the chapter 1 school selection requirements have adapted to this change through their reference to actual enrollment in a school as an alternative to a focus on attendance areas, there still can be difficulties and some clarification would be helpful. For example, it is unclear how an LEA should select private school pupils to be served by chapter 1 if it has an LEA-wide public school choice policy.

Chapter 1 services are provided to at least some pupils in approximately 64 percent of all public schools, including 76 percent of all public elementary schools.

At least partly as a result of the various forms of flexibility offered to LEAs in their selection of schools to provide chapter 1 services, relatively large numbers of public schools are selected.[49] According to a recent study, chapter 1 services are provided to at least some pupils in approximately 64 percent of all public schools, including three-quarters (76 percent) of all public elementary schools.[50] It seems apparent that many LEAs will use existing school selection methods to maximize the number of schools at which chapter 1 services may be provided. This reduces the impact of other chapter 1 provisions and policies intended to assure that funds are concentrated on schools with high numbers or percentages of children from low income families, and that programs be of "sufficient size, scope, and quality to give

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[48]The primary example is the provision that children selected to be served in an eligible school who later are transferred to a noneligible school, may continue to receive chapter 1 services, but only for the remainder of the same school year (sec. 1014(c)(1)).

[49]The lack of consistency across different LEAs and States in the measures of low income used to identify schools may also play a role in the expansion of school eligibility. For example, the statute provides that schools at which 25 percent of the pupils are from low-income families may be selected. However, there is no consistency across the Nation regarding the qualifying low income measure to be used in this determination and some low income measures that may be used have much higher income thresholds than others.

[50]U.S. Department of Education. Office of Policy and Planning. *The Chapter 1 Implementation Study*. 1992. p. 1-4.

reasonable promise of substantial progress toward meeting the special educational needs of the children being served" (sec. 1012(c)(1)).

In spite of this general tendency to spread chapter 1 funds and services among a large proportion of public schools, a significant proportion of high poverty schools do not offer chapter 1 services. According to recent data from ED, approximately 20 percent of public elementary schools in which 60-100 percent of pupils are eligible for free or reduced price school lunches do not have chapter 1 programs.[51] This likely results primarily from the lag in availability of census data reflecting shifts in the population of poor children--i.e., funds are allocated based on poverty population data that are as much as 12-13 years behind the current distribution of these children. Also, in some cases, schools may have been skipped because they were receiving services similar to chapter 1 under State or local compensatory education programs.

After participating schools are selected, the LEA's chapter 1 grant is to be distributed among them on the basis of their number of disadvantaged children to be served and their educational needs. In order to avoid possible disincentive effects of this provision--i.e., that schools would lose chapter 1 funds if they were successful in improving the achievement of participating pupils so that they were no longer educationally disadvantaged--the statute provides that children who have "graduated out" of chapter 1 eligibility through enhanced achievement may still be counted for purposes of fund allocation among schools, but not served, under chapter 1 for 2 additional years.

Another issue that relates indirectly to school selection requirements is the question of whether chapter 1 should focus on schools or pupils. In a variety of proposals over the last several years, the Reagan and Bush Administrations have proposed that chapter 1 shift from its emphasis on school programs to a program in which individual pupils qualify for aid--either through existing methods, or simply on the basis of low family income--that could be transported, as in the form of a voucher, to any public or private school chosen by the pupil's family. While such an approach would easily accommodate all sorts of school choice policies, it is not consistent with the program's current implicit assumption that funds should be targeted on schools serving the lowest income areas, and that funds are efficiently used only when a significant number of pupils are served at the same site. In other words, chapter 1 does not buy individual pupil grants or services, rather it buys local services in which groups of eligible pupils might participate. Nevertheless, as indicated above, chapter 1 services are not actually concentrated on high poverty schools, and there are many school projects serving small numbers of pupils. A thorough analysis of

[51] U.S. Department of Education. Office of Policy and Planning. *National Assessment of the Chapter 1 Program, The Interim Report*. June 1992. p. 158.

this question is beyond the scope of this report, but may be found in other CRS reports.[52]

Selection of Pupils to be Served

- Some question whether chapter 1 is well focused on children most in need of supplementary educational services.

As with the selection of chapter 1 schools, the chapter 1 statute and regulations for selection of pupils have a general rule coupled with several authorized forms of discretion for LEAs and school staff. In general, chapter 1 participants must be the **most** educationally disadvantaged pupils in public schools selected for chapter 1 (or residing in those schools' attendance areas but attending private schools). "Educational disadvantage" is not directly defined in the chapter 1 statute, and is defined in the regulations only as having an educational achievement level below that appropriate for the pupil's age. Obviously, this definition is highly ambiguous, providing a great deal of scope for local discretion in the selection of pupils to be served. What is clear is that pupils should be selected without regard for their family income, that selection methods should be consistently applied to all pupils, and that pupils should generally be selected in rank order, beginning with the lowest achievers.

The primary forms of discretion allowed to LEAs and schools in the selection of pupils to be served by chapter 1 include the following:

- children may be skipped if they are receiving services similar to chapter 1 under State or local compensatory education programs;
- a selected child who transfers during a school year to a school that has not been selected to provide chapter 1 services may continue to be served, but only for the remainder of that school year;
- children who are disabled or have limited English language proficiency (LEP) may be served under chapter 1 **if** they are also educationally disadvantaged (low achievers) for reasons separate from the disabled or LEP status;
- children previously served under the chapter 1 State agency program for the neglected and delinquent may be served; and
- if a child was selected as being among those who are **most** disadvantaged in the preceding year, and during the succeeding year

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[52]See, for example, U.S. Library of Congress. Congressional Research Service. *School Choice: Status and Issues*. CRS Report for Congress No. 92-55 EPW, by James B. Stedman. Washington, 1992. 13 p.; and Riddle, Wayne. Vouchers for the Education of Disadvantaged Children: Analysis of the Reagan Administration Proposal. *Journal of Education Finance*, summer 1986. p. 9-35.

remains disadvantaged but not among the **most** disadvantaged, may nevertheless continue to be served for up to 2 more years.

In practice, most schools and LEAs select pupils primarily on the basis of one or more norm-referenced achievement tests,[53] with supplementary guidance provided by teacher judgment.

Issues and Options Regarding Pupil Selection

At least two issues have arisen with respect to pupil selection policies in chapter 1. One relates to the use of norm-referenced tests as a primary basis for pupil selection. This issue, including relevant definitions of terms, is discussed in a later section of this report, on testing concerns in general. A second issue is the question of whether current policies and practices lead to the selection of the most needy pupils for chapter 1 services.

Chapter 1 policies are aimed at selecting the lowest achieving pupils who also meet certain **additional** criteria--

- they live in relatively low income areas, **compared to** others in the **same** LEA; and
- they are in the grade levels selected by the LEA as a focus for chapter 1 services.

It is possible for LEAs to follow this guidance, yet to have the seemingly paradoxical result that significant numbers of very low achieving children remain unserved, while some children are served by chapter 1 even though their achievement levels appear to be at or above average. Available data indicate that this is indeed the case--e.g., according to recent data, about 60 percent of the pupils with achievement test scores placing them in the lowest tenth of all third-graders do **not** participate in chapter 1, while about 5 percent of third grade pupils with scores above the 50th percentile **do** participate.[54]

These findings could be consistent with current policy mainly because of the ability of LEAs to select the grade levels at which chapter 1 services are offered--the unserved low achievers may simply attend school in grades at which their LEA does not offer chapter 1--and imperfections in the allocation process, especially the long time lag between times the census data are updated and the less than complete correlation of pupil poverty and low achievement. With respect to the latter, it is probable that some LEAs receive more chapter 1 funds than they "need," in the sense of serving all pupils with below average

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[53]See the later section of this report on issues related to the use of tests in chapter 1 (p. 50).

[54]U.S. Department of Education. Office of Policy and Planning. *National Assessment of the Chapter 1 Program, The Interim Report*. June 1992. p. 155. With respect to pupils with very low achievement levels who do not participate in chapter 1, it should be noted that they may be served by other State or Federal programs, such as the Individuals with Disabilities Education Act.

achievement in their relatively low income schools at the grades they select. After serving all such children, they might serve a limited number of the lowest achievers among those above average. At the same time, other LEAs may receive much lower grants than necessary to serve all of their very low achievers. Finally, the finding that some above average achievers are served by chapter 1 might simply result from use of tests in the survey that are different from those used to select pupils for chapter 1, or the variation that occurs when a pupil takes the same test at different times.

FISCAL REQUIREMENTS

- Fiscal accountability requirements are designed to assure that chapter 1 grants are used for the intended purposes and that the Federal aid represents a net addition to the resources available for the education of disadvantaged children.

- Some have criticized the fiscal accountability requirements in chapter 1 and similar Federal elementary and secondary education programs as sometimes having unintended and undesirable consequences, being burdensome to comply with, or establishing barriers to constructive flexibility for local school administrators.

The chapter 1 statute and regulations have always incorporated several interrelated fiscal "accountability" provisions intended primarily to assure that chapter 1 grants were used for the intended purposes and that the Federal aid represented a net addition to the resources available for the education of disadvantaged children. The concern addressed by the provisions is the possibility that in their absence, Federal funds for the education of disadvantaged children might be at least partially offset by reductions in State or local funds for these pupils, reducing the net increase in resources for the disadvantaged under chapter 1. Without such fiscal requirements, the net effect of some or all of the chapter 1 grants might be to assist State and local taxpayers, by reducing their tax burden, not to aid disadvantaged children. This is not only a theoretical possibility, but actually occurred in some cases in the early years of chapter 1, when some chapter 1 funds were reported to have been used either for general aid or taxpayer relief, leading to more detailed specification of the fiscal accountability requirements in the late 1960s and early 1970s.

The three major chapter 1 fiscal accountability requirements--maintenance of effort, supplement/not supplant, and comparability of services--are described briefly below. They are similar, yet there are important distinctions among them. All of them are enforced primarily by SEAs in their administration of chapter 1.

Maintenance of Effort

The chapter 1 maintenance of effort requirement prohibits LEAs from reducing their expenditures from State and local revenues below 90 percent of

the previous year level.[55] State and local expenditures may be measured on either an aggregate or a per pupil basis. If State and local source expenditures are less than 90 percent of the previous year level, the LEA's chapter 1 grant must generally be reduced in the same proportion that expenditures fell short of the 90 percent level.[56] If this occurs, then the 90 percent level of required expenditures, not the reduced level actually spent, would become the base for determining the maintenance of effort minimum for the succeeding year. Maintenance of effort requirements may be waived by an SEA, for 1 year only, if the SEA determines that the reduced State and local source expenditures resulted from "exceptional or uncontrollable circumstances such as a natural disaster or a precipitous and unforeseen decline in the financial resources of the local educational agency" (sec. 1018(a)(1).

Previous to 1981, the maintenance of effort minimum was 100 percent, not 90 percent, of the previous year expenditures. The current provision would allow substantial reduction, up to 10 percent per year, in State and local source expenditures without applying the penalty of chapter 1 grant reduction. While this reduction allows greater flexibility to States and localities, it significantly reduces the effects of the maintenance of effort requirement. The lack of any adjustment for increases in the costs of providing educational services--i.e., some would argue that the minimum expenditure level should be 100 percent of the previous year amount, increased by an inflation factor--also minimizes the impact of this requirement. As a result, the impact of the current chapter 1 maintenance of effort requirement may be primarily symbolic. Even in times of relatively serious constraint for State and local government revenues, such as the past 2 years, few LEAs appear to have difficulty meeting the maintenance of effort requirement. However, some believe that a more strict requirement might primarily reduce grants to disadvantaged children in the most financially constrained LEAs of the Nation.

Supplement/Not Supplant

The maintenance of effort requirement is complemented by the requirement that chapter 1 grants supplement, and do not supplant, State and local funds and services that otherwise would be provided to chapter 1 participants from State and local revenues. While the maintenance of effort requirement relates to total State and local expenditures, the focus of the supplement, not supplant, requirement is on specific types of expenditures and services. The aim is to make chapter 1 funds, and the services they provide, "truly supplementary," providing a net increase in the instructional resources available to disadvantaged pupils.

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[55]More specifically, the State and local source expenditures for the preceding year are compared to those for the second preceding year.

[56]Hence, if an LEA's State and local source expenditures for the preceding year were only 72 percent of their level for the second preceding year, then the current year chapter 1 grant to that LEA would be reduced by 20 percent ((90 percent - 72 percent)/90 percent) = 20 percent).

In the implementation of this requirement, questions often arise regarding whether chapter 1 funds are being used for services that States or localities would, or should, pay for from their own revenues in the absence of chapter 1. One frequently cited example is that of services to pupils with limited English language proficiency (LEP). Under a U.S. Supreme Court decision (*Lau v. Nichols*), LEAs are required to provide instruction intended to meet the special language instruction needs of these pupils. Under the supplement, not supplant, requirement, these required services should not be funded by chapter 1. However, if LEP pupils are also educationally disadvantaged--i.e., are low achievers on the basis of factors other than their LEP status, as is often the case--then chapter 1 funds may be used for additional services intended to ameliorate their educational disadvantage.

As the above example may suggest, it is sometimes difficult to administer the supplement, not supplant, requirement, because it can be difficult to determine what services would or should be provided to disadvantaged pupils, from State and local resources, in the absence of chapter 1.

Comparability of Services

The last of the major chapter 1 fiscal accountability requirements is the comparability requirement. Whereas the maintenance of effort requirement focuses on State and local source expenditures on behalf of all pupils in an LEA, and the supplement/not supplant provision refers to individual services, the comparability requirement provides that the overall level and nature of educational services in chapter 1 schools or areas must be comparable--not necessarily identical--to those provided in nonchapter 1 schools or areas. This is another effort to prevent LEAs from reducing the State and local resources provided to chapter 1 participants, and using chapter 1 funds to make up the difference.

In general, LEAs may be deemed to have met the comparability requirement if they have implemented uniform, LEA-wide, policies for assignment of teachers and other staff in schools, their compensation of staff, and provision of curriculum materials and instructional supplies. As with the maintenance of effort requirement, the chapter 1 comparability requirement was changed by the Education Consolidation and Improvement Act in 1981.

With respect to both the supplement/not supplant and comparability requirements, LEAs may exclude from consideration funds and services provided under State or local programs that are similar to chapter 1--i.e., aimed at meeting the needs of disadvantaged pupils. This is to avoid interference between chapter 1 and the similar programs that exist in several States and LEAs. Due to this exception, an LEA could, for example, use State compensatory education funds to complement chapter 1 specifically by serving the disadvantaged children attending schools that are not eligible for chapter 1 services.

Regarding comparability requirements, some have expressed concern that they only apply to comparability of services among schools **within the same LEA**, and overlook possibly large differences in resources among schools in different LEAs of the same State. If all LEAs in a State meet the current requirement for comparability of resources among the chapter 1 and nonchapter 1 schools within each LEA, but chapter 1 pupils and schools tend to be concentrated in certain LEAs with relatively low revenues per pupil compared to the State average, then the average level of resources in the chapter 1 schools **in the State** might be much lower than in the State's nonchapter 1 schools. Such school finance inequalities may be quite substantial, and have generated court suits aimed at providing a more equal distribution of educational resources and services among the LEAs of affected States. One group has proposed that the chapter 1 comparability provision be broadened to focus on chapter 1 versus nonchapter 1 schools in each State as a whole--i.e., require that resources in each State's chapter 1 schools be comparable to those in the State's nonchapter 1 schools.[67]

Finally, with the expansion of the proportion of public schools that offer chapter 1 services--as noted earlier, about three-quarters of all public elementary schools now have chapter 1 programs--the comparability requirement may have less significance, whether applied only within LEAs or Statewide. With such broad participation, some chapter 1 schools have low poverty rates; at the same time, as noted earlier, some high poverty public elementary schools do not participate in chapter 1. Thus, not all chapter 1 schools are "high poverty" schools, and not all nonchapter 1 schools are "low poverty" schools. At the least, a comparison of resources among chapter 1 versus nonchapter 1 schools is not equivalent to a comparison of "high poverty" versus "low poverty" schools.

General Issues and Options Regarding Fiscal Accountability Requirements

The fiscal accountability requirements in chapter 1 and similar Federal elementary and secondary education programs are well-intentioned, theoretically and historically relevant, and in some cases weaker than in the past. Nevertheless, some observers have criticized them as sometimes having unintended and undesirable consequences, being burdensome to comply with, or establishing barriers to constructive flexibility for local school administrators. Some have argued that local chapter 1 administrators have occasionally used certain instructional methods or structures more because they simplify compliance with fiscal requirements than because they are educationally appropriate or effective. One possible instance is the widespread provision of chapter 1 services through "pull-out" programs, under which pupils are pulled out of their regular classroom for a few hours per week, during which they receive instruction in small groups from a specialist teacher whose salary is paid by chapter 1, and they frequently use personal computers or other instructional equipment that is limited to chapter 1 classes. With such a structure, the

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[67]See the interim report of the independent Commission on chapter 1, released on Apr. 6, 1992.

chapter 1 instruction is thought to be supplementary, the chapter 1 funds pay the salary of a teacher who only instructs chapter 1 participants, while State and local funds are used for other services that are comparable for chapter 1 and nonchapter 1 pupils. A neat and clear "audit trail" is established for the chapter 1 funds and services.

While the fiscal accountability requirements in chapter 1 are well-intentioned, relevant, and in some cases weaker than in the past, some observers have criticized them as sometimes having unintended and undesirable consequences, being burdensome to comply with, or establishing barriers to constructive flexibility for local school administrators.

While "pull-out" techniques may be effective if well coordinated with "regular" instruction, such methods may not be educationally productive in many cases. With chapter 1 instruction occurring in separate settings, usually at the same time that "regular" instruction is taking place for other pupils in the class, the chapter 1 participants are easily identified and potentially stigmatized. There may be no net increase in instructional time, with chapter 1 reading (or other) instruction simply taking place of such instruction in the regular classroom. Worse, chapter 1 instruction may be poorly coordinated with regular classroom instruction. Finally, instructional equipment purchased for chapter 1, or even chapter 1 teacher time, may be inefficiently used if, as is often likely to be the case, nonchapter 1 pupils could have access to them without diminishing services to chapter 1 participants.

Responses to such problems have included efforts, through statutory language and program guidelines, to highlight degrees of local flexibility authorized under chapter 1. An example of a statutory statement of flexibility is the provision that, "[P]rograms under this chapter may not be required to follow any 1 instructional model, such as the provision of services outside the regular classroom or school program" (sec. 1431(d)). A recent example of administrative clarification of allowed forms of flexibility is the booklet, *Chapter 1 Flexibility, A Guide to Opportunities in Local Projects*, published by ED in February 1992. This booklet highlights the range of options authorized for LEAs in the chapter 1 statute, regulations, or guidelines in such policy areas as selection of pupils to be served or authorized uses of instructional equipment purchased with chapter 1 funds; it was complemented by revised chapter 1 regulations.[58] Recent proposals for increased regulatory flexibility in chapter 1 and other Federal elementary and secondary education programs, discussed in a later section of this report, also address concerns about unintended consequences of the current fiscal accountability requirements.

[58] *Federal Register*. Aug. 27, 1992.

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ACCOUNTABILITY AND PROGRAM IMPROVEMENT

As noted in the introduction to this report, chapter 1 has positive yet limited average effects on the measured educational achievement of disadvantaged children, with significant variation in program effects in different classrooms, schools, and local educational agencies. Therefore, increasing emphasis has been placed on efforts to identify more effective programs, disseminate information about them, and provide incentives to teachers and administrators to adopt more effective policies and practices. This is likely to be the focus of substantial effort to amend chapter 1 during the 103d Congress.

Current Accountability and Program Improvement Provisions

Chapter 1 contains several provisions aimed at evaluating the performance of individual pupils, schools, and LEAs in the program, and at providing at least a limited amount of technical assistance to those whose performance is not improving. Chapter 1 evaluations must be conducted at least once every 3 years in each LEA, and at least once every 2 years in every State. Each LEA must also "review" its chapter 1 program operations, particularly its parental involvement activities, every year. These evaluations are to be conducted in accordance with guidelines established by ED regarding evaluation methods, and are to be used to assess chapter 1 program effects on individual pupils, as well as schools and LEAs as a whole.

The Secretary of Education must submit to the Congress at least once every 2 years a report on the State and local chapter 1 evaluations. The 1988 amendments to chapter 1 also required ED to contract with an organization to conduct a national longitudinal study[59] of the effects of chapter 1 programs on participating children. This study must follow a nationally representative sample of chapter 1 participants, and comparable nonparticipants, through the age of 25 years, and evaluate the effects of chapter 1 participation on such characteristics as academic achievement, school dropout rates, delinquency, postsecondary education participation, employment and earnings.[60] Subsequent legislation, adopted in 1990 (P.L. 101-305), has mandated that ED conduct a new national assessment of chapter 1, with results to be available before the next scheduled program reauthorization. An interim report from this National Assessment of Chapter 1 was published in June 1992.[61]

A requirement that pupils be taught, and evaluated for gains in, "more advanced" or "higher order" skills was added to chapter 1 by the 1988 Hawkins-

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[59]A longitudinal study tracks the experience of the same group of individuals over a relatively long period of time.

[60]The first data collection for this study--now named "Prospects: The Congressionally Mandated Study of Educational Growth and Opportunity"--took place in the spring of 1991. An interim report is due to be provided to the Congress in Jan. 1993.

[61]U.S. Department of Education. *National Assessment of the Chapter 1 Program, The Interim Report*. June 1992. 178 p.

Stafford Act. Local chapter 1 programs are not to be considered successful unless they effectively instruct pupils in "more advanced," as well as basic, skills. The statute defines these skills as including "reasoning, analysis, interpretation, problem-solving, and decisionmaking" (sec. 1471(13)). Program regulations specify that examinations in "reading comprehension" and "mathematics problems and applications" could be used to assess participant acquisition of these skills. This is consistent with many analysts' increasing emphasis on instructing disadvantaged children in not only basic but also higher order skills.[62]

While the chapter 1 accountability provisions refer to pupil performance and the desired outcomes of chapter 1 programs, these concepts are not specifically described or defined in the chapter 1 legislation. Rather, they are to be determined primarily by State and local educational agencies conducting the programs. While such ambiguity is in some respects troublesome, it is probably unavoidable in view of both the traditional State and local primacy regarding educational standards and assessments, as well as the extensive current debate over these matters (see the discussion of the role of testing in chapter 1 later in this report). The legislation does contain provisions allowing SEAs and LEAs to take into account such local conditions as the mobility of the pupil population or the extent of their educational deprivation, or to use indicators of performance other than improved achievement, in developing and applying performance standards. Thus, while chapter 1 attempts to place substantial emphasis on SEA and LEA accountability for program results, the act allows State and local agencies a great deal of flexibility in setting the standards to which they will be held accountable.

Program Improvement

- Since the current requirements were adopted in 1988, approximately 19 percent of chapter 1 schools have been found to be in need of improvement.

- Chapter 1 advocates are trying to find ways to make the program improvement process less mechanical, base it on better and richer assessments, and provide more substantial assistance to schools once they are identified.

If an **individual pupil** participates in chapter 1 for 1 year and his/her educational performance does not improve, the LEA must consider modifications in the services provided to that pupil. If pupil performance does not improve after 2 years of chapter 1 participation, then the LEA is to conduct a "thorough assessment of the educational needs" of the pupil. If the aggregate performance of participating pupils in a **school** does not improve over 1 year, the LEA must develop and implement a program improvement plan, identifying changes in educational methods and resources that are intended to result in improved

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[62]For a discussion of this theme, see *Helping At-Risk Students, What Are the Educational and Financial Costs?*, edited by Patricia Anthony and Stephen L. Jacobson. 1992. p. 30-34.

program performance. This plan is to be submitted to the SEA, and made available to parents of participating pupils. If implementation of this plan does not succeed in improving pupil performance, a joint program improvement plan is to be established by the LEA and the SEA. Throughout all stages of these processes, technical assistance is to be provided by the SEA and chapter 1 regional technical assistance centers.[63]

Chapter 1 also provides grants to the States specifically for the development and implementation of chapter 1 improvement programs. A total of $39.7 million has been appropriated for this purpose for 1993-94. The State program improvement grants are to be used only for the direct costs of such plans, including technical assistance to LEAs. Specific authorized activities may include staff training, curriculum development, replication of model programs, or development of innovative instructional methods. However, the level of program improvement grants per school is rather limited, averaging only $2,500 per school in 1991-92.[64]

Surveys of the implementation of the 1988 program improvement provisions found that by 1991-92, approximately 19 percent of chapter 1 schools were found to be in need of improvement.[65] The National Assessment of Chapter 1 has also reported that while most States initially adopted minimal standards for this process--basically that schools exhibit any net gain in achievement scores--more States have recently raised these standards slightly, e.g., requiring a net gain of 1, 2, or 3 percentile points. As might be expected, there has been a direct relationship between the level of State standards and the number of schools found to be in need of improvement.

Another significant accountability provision is contained in chapter 1's provisions regarding schoolwide plans, which are discussed in a later section of this report. After 3 years of schoolwide plan implementation, such schools must demonstrate that the achievement of disadvantaged children enrolled in them is higher than either: the average for children participating in chapter 1 in the LEA as a whole; or the average for disadvantaged children in that school over the 3 years preceding schoolwide plan implementation.

Issues and Options

While the 1988 chapter 1 amendments clearly emphasized the importance of program improvement concepts, these provisions have not necessarily been implemented smoothly or productively. Several concerns have been expressed by chapter 1 administrators and analysts. First, the program improvement

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[63]Technical assistance centers are discussed in more detail later in this report (see p. 48).

[64]U.S. Department of Education. Office of Policy and Planning. *National Assessment of the Chapter 1 Program, The Interim Report*. June 1992. p. 64.

[65]U.S. Department of Education. Office of Policy and Planning. *National Assessment of the Chapter 1 Program, The Interim Report*. June 1992. p. 60. Note that these schools include those in the first, second, or third year of program improvement identification and activities.

requirements have amplified the already great emphasis on norm-referenced tests in chapter 1, since these are typically used to determine whether schools must enter the program improvement process. Many have criticized these tests and the orientation of chapter 1 or other instruction toward improvement of pupil performance on them (see later discussion in this report under "Reconsideration of the Role of Testing").

While the 1988 chapter 1 amendments clearly emphasized program improvement concepts, these provisions have not necessarily been implemented smoothly or productively.

Second, as noted above, State standards for determining whether school chapter 1 programs are "successful" have been criticized, especially at first, as being too low. However, even with standards seen as low, a large number of schools fail to meet them, and available program improvement grants are so small as to be of limited significance. Could meaningful support be provided to the larger number of schools that would be identified if standards were raised? Further, from where is extra support for "unsuccessful" schools to come? Many SEAs appear to have inadequate staff qualified to substantially assist these schools,[66] and the chapter 1 technical assistance centers have very limited capacity to directly aid individual schools.

Another concern is that apparently one-half of schools that enter the program improvement process on the basis of one year's test data manage to meet the standards the next year.[67] In fact, many schools may bounce into and out of the process from year to year, with scores just below or above the fixed threshold standards. Perhaps the thresholds for identifying "unsuccessful" schools should be less rigid, or be based on average school scores for a 2-3 year period rather than single-year data (with schools to remain in the program improvement process for an equivalent period of time once identified).

The basic issue is how to make the program improvement process less mechanical, base it on better and richer assessments, and provide more substantial assistance to schools once they are identified. A resolution of these concerns might involve a combination of: reliance on a broader range of assessment data than the currently common norm-referenced tests; higher funding for program improvement grants; greater technical assistance center resources and possibly

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[66]U.S. Department of Education. Office of Policy and Planning. *Chapter 1 Under the 1988 Amendments: Implementation From the State Vantage Point*. 1992.

[67]Ibid.

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greater funding for SEAs to develop relevant expertise; and placement of schools into the process, plus provision of additional aid to them, for periods of greater than 1 year.

Schoolwide Plans

- Utilization of the authority for high poverty schools to operate their chapter 1 programs on a schoolwide basis is growing rapidly, yet many schools that qualify do not avail themselves of this option.
- Many schools may need additional guidance on effective ways to utilize the schoolwide plan authority.
- There will likely be interest in lowering the poverty rate eligibility threshold for schoolwide plans when chapter 1 is reauthorized.

A specific form of regulatory flexibility currently in chapter 1 is the schoolwide plan authority. Beginning with the 1978 amendments to chapter 1 (P.L. 95-561), chapter 1 schools with a child poverty rate of 75 percent or higher[68] have been allowed to conduct their programs on a schoolwide basis, if they meet certain additional requirements. Thus, chapter 1 funds could be used to improve the overall school program, affecting all students, rather than limiting chapter 1 services to the specific pupils who are most educationally disadvantaged.

The number of chapter 1 programs being operated on a schoolwide basis is relatively small but is growing rapidly.

Under the schoolwide plan authority as it existed from 1978 to 1988, LEAs operating schoolwide plan sites had to match chapter 1 funds with additional supplementary funds from nonfederal sources. As a result, few such programs were established. However, the 1988 amendments (P.L. 100-297) dropped this matching requirement, adding in its place additional outcome accountability requirements for these schools.[69] The schoolwide plan authority is granted for a 3-year period, at the end of which the children at the school who would have qualified for a conventional chapter 1

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[68]Note that the poverty rate data used here are the best available to the LEA on a school-by-school basis, and are usually not based on the same poverty income thresholds as used in the national allocation formula. Most often, the only pupil poverty data available for individual schools is the number of children eligible for free or reduced price school lunches (income thresholds of up to 185 percent of the poverty level), or the number in families receiving AFDC payments (income thresholds varying by State). Thus, the school-level poverty rate may be based on income levels that are much higher, or perhaps lower, than the poverty income thresholds used by the Census Bureau.

[69]One special fiscal requirement, that nonfederal funds for schoolwide plan sites not fall below 100 percent of their previous year level, was retained until this was reduced to the level applicable for other chapter 1 activities--90 percent of the previous year--in 1992 (P.L. 102-359).

program must have achievement gains equalling or exceeding those of either (a) chapter 1 participants elsewhere in the LEA, or (b) chapter 1 participants in the same school in the 3-year period preceding initiation of the schoolwide plan, for the schoolwide plan authority to be renewed. Since these amendments were adopted, the number of chapter 1 programs being operated on a schoolwide basis has grown rapidly. According to the current National Assessment of Chapter 1, the number of schools using the schoolwide plan authority rose from 621 nationwide in 1989-1990 to 2,069 in 1991-92. A majority (57 percent) of the participating schools are in urban areas. Nevertheless, it is estimated that this represents only about one-quarter to one-third of the schools eligible for this authority, with wide variation among the States in this regard.[70]

Specific new activities adopted as part of schoolwide plans have included reductions in class size (in 79 percent of all projects), and adoption of "effective schools"[71] programs (62 percent of schools).[72] The apparent intent of the schoolwide plan authority is to allow better coordination of chapter 1 with other instructional services, and to increase flexibility to adopt substantial instructional reforms. Some of the primary activities actually undertaken under this authority have included some that increase administrative convenience without necessarily leading to large improvements in instructional effectiveness; a primary example is the popularity of relatively marginal schoolwide class size reduction. Nevertheless, several of the schoolwide plan sites have undertaken major changes in their chapter 1 and regular school programs, through "effective schools" and other approaches.

Comprehensive Services

A topic that is relevant to all chapter 1 programs, but is especially salient to schoolwide plans, is that of the multiple needs of many disadvantaged children and their families, and possible ways to provide to them the comprehensive services intended to meet those needs. There is increasing concern about the wide range of educational, health, nutrition, and other social service needs of children and families living in areas of concentrated poverty, such as those for which schoolwide plans are authorized.

The LEAs receiving chapter 1 aid have always been authorized to use these funds for not only educational services, but also related services if these are not otherwise available and are essential to helping disadvantaged children improve their school performance. According to State reports to ED, in 1988-89, 13 percent of all chapter 1 participants received "attendance, social work, or

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[70]U.S. Department of Education. Office of Policy and Planning. *National Assessment of the Chapter 1 Program, The Interim Report*. 1992. p. 94.

[71]For more information on this topic, see U.S. Library of Congress. Congressional Research Service. CRS Report, by Stedman, James B. *The Effective Schools Research: Content and Criticisms*. Washington, 1985.

[72]U.S. Department of Education. Office of Policy and Planning. *National Assessment of the Chapter 1 Program, The Interim Report*. June 1992. p. 101.

guidance" services, 13 percent received "health and nutrition" services, and 8 percent received "other social services."[73] However, LEAs are discouraged from using a large share of chapter 1 funds for noneducational services, and chapter 1 grants are too small to be effectively spread over a wide range of service areas. However, LEAs could be encouraged to serve as networking and referral agents help connect disadvantaged children and their families with services they need that are available from other agencies and programs. In some cases, it might be appropriate and feasible for those services to be provided at the school site (e.g., health examinations and minor treatment).

Issues and Options

The popularity of the schoolwide plan provision has increased interest in expanding it, primarily through reducing the 75 percent poor pupil threshold. In theory, the schoolwide plan concept has substantial promise for eliminating the frequently marginal nature of chapter 1 services, fully integrating them, and the pupils served, with the overall instructional program and pupil population. Further, many current theories about effective instructional improvement for the disadvantaged emphasize enhancing the entire educational program for these children, rather than the intensive, supplementary approach that has been typical of chapter 1. Children spend only a few hours per week in a typical chapter 1 program, and the time frequently replaces regular instruction, rather than providing a net increase in instructional exposure. Further, the quality of categorical programs, such as chapter 1, may depend primarily on the quality of the *core* curriculum, and how well the categorical programs are aligned with it.

Nevertheless, the evidence on current implementation of schoolwide plans, especially the frequent use of the funds to lower class size schoolwide, indicates that participating schools and LEAs may need more guidance on the most effective ways to use their expanded authority. The least directive way to do this would be through additional, targeted technical assistance, through either SEAs, the current chapter 1 technical assistance centers or other means. Exemplary schoolwide plan sites might be identified and information about them widely disseminated. Participating schools might also be required to demonstrate how they have modified not only their instructional strategies and administrative arrangements but also their range of services in response to this authority. More specific guidance might also be provided in the statute or regulations for schoolwide plans, although this would reduce the very flexibility that the concept was intended to promote.

Regarding the lowering of pupil poverty rate thresholds for schoolwide plans, the current 75 percent level appears to be rather high, yet it is estimated that a majority of schools that could qualify at this level do not participate, due perhaps to lack of information about the authority and lack of support from State and LEA chapter 1 staff. As noted earlier, the 75 percent threshold may not be as high as it seems, given the variety of measures of low income that may

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[73]U.S. Department of Education. Office of Policy and Planning. *A Summary of State Chapter 1 Participation and Achievement Information for 1988-89*. Nov. 1991. p. 20.

be used at the school level, including some with income thresholds of almost twice the poverty income thresholds used by the Census Bureau. Thus, a focus on increasing the participation rate of schools currently eligible might be as appropriate as a reduction in the thresholds below 75 percent.

Finally, as noted above, chapter 1 might be modified to encourage local program staff to serve as networking agents to help participating pupils and their families obtain the wide range of not only educational but also other social services they require. The Head Start preschool program, under which Head Start staff refer children to a variety of service agencies and attempt to have services provided on site, might be a useful example. There might be concern that chapter 1 would spend so much time and effort on such referrals and networking that their attention to educational services would be substantially diminished. However, if the chapter 1 staff are limited to networking and referrals, plus encouraging other agencies to provide services at school sites, there might be only a limited basis for this concern. Further, such encouragement might at first be limited to schoolwide plan sites.

Proposals for Increased Flexibility

- Proposals for additional flexibility under chapter 1 and other Federal aid programs attempt to shift regulatory attention from processes or inputs to outcomes.

- Proposals for limited demonstrations of regulatory waivers have been passed by both Houses of Congress in recent years, but not enacted.

Increased flexibility, often combined with new forms of accountability based on outcomes, is a relatively consistent theme running through chapter 1 legislation and proposals of recent years.

Increased flexibility, often combined with new forms of accountability based on outcomes, is a relatively consistent theme running through chapter 1 legislation and proposals of recent years. In part, this is a legacy of the Education Consolidation and Improvement Act of 1981, that simplified chapter 1 and ultimately provided more explicit flexibility to State and local program administrators. Fiscal requirements (e.g., maintenance of effort, comparability) are often easier to meet than previously, there are more options available for selection of schools and pupils to be served, chapter 1 programs may be operated on a schoolwide basis in high poverty areas, and other forms of flexibility have been clarified through regulations promulgated earlier this year. In some cases, this process has consisted primarily of clarifying authority that already existed, while in others there has been a real increase in authorized local flexibility. There has also been a partial change in approach in Washington, from primarily a reliance on regulatory mechanisms to somewhat more of a strategy mixing performance standards, and incentives.

On August 27, 1992, ED published new regulations for chapter 1 that emphasize and elaborate upon forms of flexibility said to be authorized under the current statute. For example, the regulations state that children not eligible for chapter 1 may nevertheless participate in chapter 1 services if the services are aimed at meeting the special educational needs of disadvantaged children, and the participation of noneligible children is merely incidental and does not decrease the services provided to eligible children nor increase program cost. In 1991, the Bush Administration proposed carrying this strategy a large step further by authorizing regulatory waivers for chapter 1 and other Federal education assistance programs, in return for new forms of outcome-based accountability. Individual LEAs could negotiate for the waiver of virtually any current program regulation, in exchange for evidence of improved pupil performance.[74]

While the broad Bush Administration proposal was not accepted by Congress, more narrow proposals for demonstrations of regulatory flexibility for chapter 1 and other Federal elementary and secondary education programs were adopted by the House and Senate in separate versions of the Neighborhood Schools Improvement Act in the 102d Congress, although they were not enacted. The final, conference version of this legislation (S. 2) would have authorized a demonstration program of regulatory flexibility involving not more than 10 States and a maximum of 75 schools in 20 LEAs of each participating State. The authority would have permitted waiver or modification of Federal and State requirements for selected programs in four categories: preschool programs for disadvantaged children; elementary and secondary programs for disadvantaged students; social, health, and nutrition programs for disadvantaged students; and school lunch and breakfast programs. Deregulation activity would be intended to improve services to disadvantaged children, and eligible schools were limited to schools participating in the chapter 1 program. Waivers would not be granted for identified civil rights statutes, and all waiver authority would have terminated at the end of FY 1997.

Issues and Options

A key issue with respect to provision of additional flexibility to local chapter 1 programs is whether the accountability requirements, usually in terms of outcomes, provide an "appropriate" balance of flexibility and rigor.[75] Given the traditional dominance of State and local policies regarding instructional objectives and measurement of educational achievement, and the currently active debate over the best ways to assess pupil progress, it is appropriate to give States and LEAs a great deal of flexibility in selecting outcome measures. What remains unresolved is how to respond to this concern while meeting Federal

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[74]For additional information on this proposal and concept, see U.S. Library of Congress. Congressional Research Service. *Conditional Deregulation of Federal Elementary and Secondary Education Programs: The AMERICA 2000 Proposal*. Riddle, Wayne. Washington, 1991.

[75]This topic is discussed further in a later section of this report on general chapter 1 accountability provisions and issues (see p. 37).

objectives and making the outcome requirements "meaningful" and substantial. Perhaps further evolution of current efforts to establish a national system of voluntary educational standards and assessments[76] will provide a future means of making Federal education program outcome requirements more rigorous, but implementation of such a system remains several years in the future, if it occurs at all.

A key issue with respect to a provision of additional flexibility to local chapter 1 programs is whether the accountability requirements, usually in terms of outcomes, provide an "appropriate" balance of flexibility and rigor.

In the meantime, reliance on standards and assessments developed by States is perhaps the most practical approach to assuring accountability in terms of program outcomes. While these standards and assessments would not currently be consistent across States, they would at least be consistent within States, and would likely be preferable--e.g., less narrow, better coordinated with school curriculum--to a reliance on standardized, norm-referenced tests. Another possible alternative might be a requirement that LEAs or schools seeking regulatory waivers receive approval from representative committees of parents and other advocates eligible to be served by chapter 1.

A final issue with respect to regulatory flexibility proposals is the range of Federal and other programs involved. One possible way to both reduce regulatory burdens and increase the range of services provided to disadvantaged children might be to include not only chapter 1 and other federally aided education programs under a regulatory waiver authority, but also to extend the waiver authority to federally supported programs designed to meet the health, nutrition, and other social service needs of disadvantaged children and their families. For example, an LEA might combine funds under a variety of education and other service programs in ways that the LEA feels would best meet the needs of children eligible for chapter 1 and their families. Of course, the broader the range of programs included in a regulatory waiver authority, the greater the concerns about selecting appropriate outcome measures and avoiding the supplanting of State and local funds.

Incentives for Improved Performance

- There is growing interest in identifying effective chapter 1 instructional techniques and strategies, more broadly disseminating information about these, and increasing incentives to adopt more effective practices.

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[76]For a discussion of this activity, see U.S. Library of Congress. Congressional Research Service. *National Education Goals: Federal Policy Issues*. CRS Issue Brief No. IB92012, by James B. Stedman and Wayne Riddle, Jan. 5, 1992 (regularly updated). Washington, 1992.

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Current Provisions

Over most of chapter 1's lifetime, there were neither financial incentives, nor disincentives, for improved pupil performance in chapter 1 programs. Funds were usually allocated, and target areas selected, on the basis of counts of poor, not low-achieving, children. However, along with additional accountability requirements, there has been increasing interest in providing incentives for improved performance in chapter 1, beyond the desire of all professional educators to perform their job well. The 1988 amendments to chapter 1 added authority for LEAs, with SEA approval, to use up to 5 percent of their grants for "innovation projects." These projects may include several activities intended to reward high performance, such as:

- incentive payments to schools that have demonstrated significant success in raising pupil performance; and

- the continuation of chapter 1 services to pupils who were eligible in any previous year, but whose achievement has increased so that they no longer meet the standard eligibility requirements.

A State survey of the initial implementation of the innovation authority[77] found that relatively few LEAs were using this option so far. Reasons offered for this low rate of use of the innovation authority were the relatively small size of the 5 percent authority, limited funds--relative to need--in the chapter 1 grant overall, and the relatively narrow range of activities for which the innovation funds could be used.

Chapter 1 was also amended in 1988 to remove a possible disincentive to improved pupil performance in the allocation of funds among schools selected to provide services. In the process of allocating chapter 1 funds among the school attendance areas with the highest number or percentage of poor children, LEAs are generally to distribute funds in proportion to the number of educationally disadvantaged children to be served, and their educational needs. However, in this process, LEAs may continue to count, for up to 2 years, children whose performance has so improved as a result of chapter 1 aid that they are no longer eligible to be served. This provision affects only the allocation of grants among schools; it does not change the eligibility of individual pupils to be served under chapter 1.

Identification and Dissemination of Information About Exemplary Programs

Beginning in the mid-1980s, ED has also attempted to improve performance in chapter 1 through the stimulus of positive examples--the "Secretary's Initiative" to identify and disseminate information about exemplary chapter 1 programs. The initiative is intended to select a limited number of especially effective chapter 1 programs, then to compile and disseminate information on these to all chapter 1 administrators. It is intended that the selection process

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[77]Council of Chief State School Officers (see above).

provide the rewards of recognition and praise to those conducting the exemplary programs, and that those responsible for other chapter 1 programs will voluntarily adopt some of the educational practices identified as characteristic of the recognized programs.

Issues and Options

Incentives for improved performance in chapter 1 programs are still relatively limited, in contrast to the accountability and program improvement processes described above. One proposal that has been promoted by both the Administration and Congress in recent years, but not enacted, is that for "merit grants" to schools with especially high, or substantially improved, performance. This was part of the Bush Administration's primary elementary and secondary education proposals of the 101st (Educational Excellence Act of 1989) and 102d Congresses (AMERICA 2000), as well as congressional legislation that responded to these proposals (Educational Equity and Excellence Act of 1990, Neighborhood Schools Improvement Act of 1992). While the Administration proposals would have allowed all schools to compete for merit grants, some of the congressional proposals were limited to public schools receiving chapter 1 funds.[78]

Merit school proposals specifically for chapter 1 schools might establish a separate appropriation for high performing chapter 1 schools. Given the widespread debate over standards of achievement and the best ways to assess pupil progress, one option would be to provide such grants to States by formula, then allow SEAs to select grantee schools on measures they think are most appropriate. A focus on **improvement** in achievement, rather than its absolute level, would make it possible for schools serving the most disadvantaged pupils to compete for grants, and would indirectly control for large differences among schools in pupil intake. Under most proposals, grantee schools would be allowed to use merit grants for virtually any legal purpose, both to increase the incentive effect, and under an assumption that selected schools could be trusted to make good choices of how to use these funds. It might be appropriate to consider requiring selected schools to use a participatory form of school-based management in which certain groups of persons (teachers, parents, etc.) must be involved in the selection process of deciding how grants are to be used, rather than potentially leaving this to the principal alone.

Technical Assistance and Research

- Support for technical assistance and research related to chapter 1 may not have kept pace with growth in demand for these services.

Somewhat increased attention has been devoted to technical assistance and research related to chapter 1 in recent years. Technical assistance is provided

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[78]See U.S. Library of Congress. Congressional Research Service. *Merit Grants to Schools Based on Performance: the AMERICA 2000 Proposal*. CRS Report for Congress No. 91-612 EPW by Wayne Clifton Riddle. Washington, 1991. 14 p.

by both the regional technical assistance centers (TACs), but also by a series of TACs focused only on rural schools and LEAs. The latter were added under the 1988 amendments to chapter 1 (P.L. 100-297). The TACs are private, usually but not necessarily nonprofit, organizations under contract to ED to provide services either to all, or only rural, SEAs, LEAs, and schools in a multi-state region of the Nation.[79]

Historically, TAC activity was focused almost completely on helping SEAs, LEAs and, rarely, individual schools, understand and meet chapter 1 requirements for pupil assessment and program evaluation. In recent years, the TACs have been directed to shift their focus toward broader efforts to improve the effectiveness of chapter 1 programs. This has included, in very limited cases, direct assistance to individual, high need, schools.

In addition to national evaluations of chapter 1 and related research described above (under accountability), ED also supports research and experimentation through a Center for Research on Effective Schooling for Disadvantaged Students, a research and development center that is located at Johns Hopkins University. This Center, in conjunction with Hopkins' Center for Research on Elementary and Middle Schools, has initiated a range of activities intended to determine improved educational techniques for disadvantaged elementary and middle school students, and to apply those methods in a number of schools.

Issues and Options

There has been little argument with the value of chapter 1 TAC assistance to SEAs and LEAs. Concerns have focused on whether TAC resources have kept pace with their expanding responsibilities, and whether there should remain a separate network of rural TACs.

Concerns regarding chapter 1 technical assistance centers (TACs) have focused on whether TAC resources have kept pace with their expanding responsibilities, and whether there should remain a separate network of rural TACs.

The level of funds allocated to TACs has increased substantially since the late 1980s, especially if funds for "regular" and rural TACs are combined. For example, total TAC funds were only $3.6 million in FY 1987, while in FY 1992, "regular" TACs received $5.1 million and rural TACs received $5.0 million, for a total of $10.1 million. However, in the late 1980s the funding for "regular" TACs was depressed by the large share of chapter 1 "evaluation and technical assistance" funds that was devoted to initiating the current, legislatively-mandated, National Assessment

[79]There are 6 "regular" TACs and 10 rural TACs. Six of the rural TACs serve the same six regions as are served by the six "regular" TACs; in many,but not all, cases the same organization has the contract for both "regular" and rural TAC services in a given region. The other four rural TACs serve specifically Alaska, Hawaii, Puerto Rico, and the Bureau of Indian Affairs schools.

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of Chapter 1 and Prospects study of the long-term effects of chapter 1.[80] Further, the current funding for TACs is certainly less, in inflation-adjusted terms, than was provided in the late 1970s and early 1980s.[81] This concern may be especially relevant in light of increasing demands--from both ED and SEAs/LEAs--for TAC assistance regarding program improvement, in addition to traditional assessment and evaluation concerns, more direct assistance to individual schools, and widespread debate over appropriate assessment methods.

A second concern is whether there should remain separate sets of regional TACs for rural versus other schools; and,if separate rural TACs are appropriate, whether their funding level should be as high as that for the TACs serving all other areas. Separate rural TACs were established out of a concern that rural LEAs had special needs for technical assistance, given their frequently small enrollment and staffing levels, and limited expertise in technical fields. There is an obvious possibility of overlap and lack of coordination between the rural and "regular" TACs. To some extent, this may be reduced by the fact that in many cases, the same organization has the contract for both types of TACs in a region. The current, roughly equal, funding for "regular" and rural TACs cannot be justified on the basis of relative enrollment levels, since only a minority of pupils attend schools in rural areas, but might be supported by the purportedly greater needs of small, rural LEAs for technical assistance.

With respect to research on instruction for disadvantaged students, interest has been expressed in some quarters for substantially expanding the level of Federal support for this activity. In the 102d Congress, a bill to extend the authorization for the Office of Educational Research and Improvement (OERI) that was passed by the House but not enacted (H.R. 4014) would have established a National Institute for the Education of At-Risk Students, with a range of responsibilities, and level of funding, significantly greater than the current Center for Research on Effective Schooling for Disadvantaged Students. This institute would have supported research on the education of disadvantaged students both directly and through contracts or cooperative agreements, awarded research fellowships, conducted demonstration programs, and provided technical assistance, with an annual authorized appropriation level of $20 million. Others have suggested that 1 percent of chapter 1 LEA grants be reserved for research activities; for FY 1993, this would amount to $61.3 million.

Reconsideration of the Role of Testing

- Recent changes in chapter 1 plus national debates over pupil assessment practices have highlighted serious limitations of existing pupil testing concepts and instruments used to meet chapter 1

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[80]Funds are provided in a single "line item" for all chapter 1 evaluations, studies, data collection, and "regular" TAC activities. Funds for rural TACs are provided as a separate line item.

[81]The FY 1981 funding for TACs was $8.5 million. An estimated equivalent amount in FY 1992, taking price level changes into account, would be approximately $14.5 million, 44 percent above the FY 1992 funding for all TACs of $10.1 million.

requirements, with unintended yet potentially negative consequences for pupil learning.

Testing, primarily for evaluation purposes, has always been an important part of the chapter 1 program. The evaluation requirements were discussed above, under the topic of accountability. The emphasis in chapter 1 evaluation has traditionally been on aggregate program performance, to show whether or not the program has been "effective," partly for oversight purposes and partly as a justification for future funding requests. In the past, relatively little attention has been given to the kind of testing or assessment that is appropriate for chapter 1 pupils--i.e., what sorts of tests would be most useful instructionally. Rather, the primary concern has been that tests produce results that could be *aggregated* for LEAs and States, to show the nationwide program effect. The "national standards" for chapter 1 evaluations are largely focused on this goal.

However, in the early 1990s, several analysts and educators have become concerned that the norm-referenced tests,[82] with results that can be aggregated, that are required by chapter 1 are not necessarily good for chapter 1 participants. They worry that the required tests and their results are overemphasized, that they absorb too many resources, that they do not provide useful guidance for improving instruction, and that, since they are required, they may "drive out" alternative forms of assessment due to time and resource limitations. The significance of testing in chapter 1 has also been amplified by 1988 amendments (discussed above) requiring the identification of schools and pupils in need of additional assistance, and establishing program improvement procedures.

Partially in response to these concerns, ED established in 1991 an Advisory Committee on Testing in Chapter 1.[83] While this committee has not yet completed its deliberations, and this issue area is at an early stage of development, several possible questions may be identified, including the following.

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[82]With norm-referenced tests, scores are compared to those of a nationally representative sample of pupils, and scored accordingly, usually with a national average score of 50 and scores expressed as percentiles. For example, a "40th percentile" score would indicate that nationwide, 60 percent of pupils may be expected to score above the given pupil, and 40 percent below. These scores are based on an implicit assumption that scores are distributed among pupils on a "normal (bell-shaped) curve" basis, thus, the term "norm-referenced". Under chapter 1, scores are usually reported as "normal curve equivalents," percentile scores that can be aggregated and compared over time. These scores are all relative, bearing no direct relationship to the adequacy of the knowledge gained by pupils. Critics of norm-referenced tests have argued that they provide little, if any, information on what a pupil has learned; are designed much more for sorting pupils than diagnosing their educational strengths and weaknesses; and the tests artificially and unnecessarily assume that one-half of pupils are performing poorly (the ones scoring below the 50th percentile), even if a much higher percentage of pupils are performing adequately in terms of knowledge and skills acquired.

[83]*Federal Register*. Feb. 4, 1991. p. 4272.

- Is there "too much" testing for accountability purposes, and "too little" for instructional improvement? Are existing assessments conducted simply to fulfill the statutory requirements and serve few or no instructional purposes?

- Are the requirements to use nationally norm-referenced tests for accountability reports "too rigid"? Do they somehow "force aside" alternative assessment mechanisms (which are not prohibited, but may be implicitly limited by the requirements to use norm-referenced tests for several purposes)?

- Would alternatives to norm-referenced tests be of more instructional value, or more appropriate to the disadvantaged populations served by chapter 1? Do typical, norm-referenced tests overlook the "multiple intelligences" of pupils?[84]

- Might alternative assessments better reflect chapter 1 program effects, that appear to be somewhat limited on the basis of existing norm-referenced assessments?

- Are States and LEAs getting adequate guidance re: assessment options from ED, the TACs and rural TACs?

- Might less frequent assessments, based on nationally representative sample populations, adequately meet accountability concerns?

- Alternatively, can concerns about identification and improvement of "unsuccessful" school programs be adequately addressed without frequent application of norm-referenced assessments?

- Given the lack of a control group--i.e., similarly disadvantaged students who are not served by chapter 1--what is the real meaning of the test scores now provided?

- What are the effects of the high mobility of chapter 1 pupil populations (both between schools and in/out of the program) on the value and meaning of current assessments?

Some of these issues and questions have been considered in two recent reports: *Testing in American Schools, Asking the Right Questions*, by the Office of Technology Assessment (Feb. 1992); and *Testing in Chapter 1: Issues and Options*, by Brenda Turnbull (Policy Studies Associates, July 1991). The authors of both of these reports suggest that current chapter 1 testing

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[84]According to this concept, intelligence is not a single-dimensional characteristic; rather it can be evidenced and used in a variety of ways and contexts, only a few of which are typically addressed by norm-referenced tests. For a discussion of this theory and its implications, see Gardner, Howard. *Frames of Mind: The Theory of Multiple Intelligences*. New York, Basic Books, 1983.

requirements should be thoroughly reviewed and their usefulness be reconsidered. Alternative assessment methods might better meet many of the purposes for which norm-referenced tests are now used in chapter 1. Such assessments might include use of criterion-referenced,[85] rather than norm-referenced, tests; performance assessments; review of student portfolios; tests in a broader range of subject areas; or a focus on student achievement gains for periods longer than 1 year. In addition, the potential for unintended effects of chapter 1 testing requirements on overall testing practices should be anticipated.

Issues and Options

Issues regarding the way pupils are assessed will likely be a focus of substantial deliberation in the reauthorization of chapter 1.

Issues regarding the way pupils are assessed will likely be a focus of substantial deliberation in the reauthorization of chapter 1. As noted above, there is a general impression that existing chapter 1 testing requirements are too narrow in the range of skills they assess. At the same time, the requirements are viewed by many as being too broad in terms of inadvertently driving out other forms of assessment. In other words, because certain types of tests must be conducted for chapter 1 purposes, and time and money are limited, then in many cases only those tests may be administered, perhaps also for nonchapter 1 pupils or purposes.

Likely directions for proposals to change the role of testing in chapter 1 include the following.

- Less extensive testing of pupils for reporting of LEA-, State, or nationwide program effects. Alternatives include testing of pupils only in selected grades, especially no testing of those in the earliest grades; and testing of only samples of pupils within each LEA, State, or the Nation. This would be most helpful in reducing test burden if it could be limited to a nationally representative sample of chapter 1 pupils--i.e., not be required to produce State or LEA level results. If State or LEA level sample tests are considered necessary, perhaps they could be required only once every 2-5 years, not annually.

- More encouragement of the use of alternatives to norm-referenced tests at all levels. Alternative assessments would be intended to

[85]Criterion-referenced tests focus on measurement of pupil achievement relative to a body of knowledge to which they have been exposed, rather than focusing on pupil achievement relative to that of other pupils in the case of norm-referenced tests.

capture a wider range of skills and be more instructionally useful than current tests.[86]

- Less overall testing of chapter 1 pupils.

- Better integration of chapter 1 testing with other State and local assessments.

Such changes in the role of testing in chapter 1 would likely require expanded support by the chapter 1 technical assistance centers (TACs), that currently provide limited guidance to States and LEAs on both testing and program improvement issues. In recent years, the responsibilities of the TACs have increased, without a commensurate rise in their funding or staff. It would be appropriate to consider increasing the resources available to the TACs as part of a general effort to expand support for research, development, and dissemination activities related to chapter 1 (see the earlier section of this report for more on research, development, dissemination, and technical assistance).

PARENTAL INVOLVEMENT

- There is a continuing tension between the desire to increase parental involvement in chapter 1 programs, and a disinclination to prescribe specific, "inflexible" methods for doing this.

- A greater emphasis on services to the parents of chapter 1 participants might be considered.

Throughout the history of the title I/chapter 1 program, the active involvement of parents in the education of disadvantaged children has been considered by many observers to be very important for program success. While professional educators rarely disagree with statements about the value of parental involvement, in practice they may view such involvement as more of a problem, as a barrier to efficient school operations, than as a positive and constructive force. School staff frequently do not want to be bothered with an expansion of their responsibilities to include substantial parental activities. However, many feel that the schools cannot accomplish their primary task effectively--that of educating children--without greater and more meaningful parental involvement.

In her Family-School-Community Connections project in chapter 1 schools in Baltimore, Joyce Epstein of the Center for Research on Elementary and Middle Schools has identified five types of involvement that schools should attempt to implement:

- assisting families in their basic child rearing responsibilities,

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[86]It is possible that if accountability tests were conducted on the basis of a national sample of pupils, and centrally organized, even these tests would not need to be of the standardized, norm-referenced variety.

- improving home-school communications,
- encouraging parent volunteer work at school,
- supporting family learning activities at home, and
- inviting parent participation in school governance.

A recent report prepared for ED provides concrete advice based on a number of model parental involvement programs.[87]

Under ESEA title I previous to 1981, the primary means for encouraging such parental involvement was a mandatory system of school- and LEA-level parental advisory councils. While these councils provided for at least a minimal level of influence on program activities by a group of parent representatives, the councils did not assure any active involvement on the part of individual parents in the education of their children. Further, the role and authority of the councils were frequently ambiguous, and many local school administrators viewed the councils as interfering with their authority and responsibilities. Alternatively, some parental advisory councils may have been relatively ineffective or easily controlled by administrators.

In the ECIA legislation of 1981, the parental advisory council requirement was replaced with a general provision that programs should be "designed and implemented in consultation with parents" of children to be served (sec. 556(b)(3)). The 1983 ECIA technical amendments added a requirement for an annual public meeting for parents of children eligible to be served under chapter 1, and a provision that LEAs "may," if requested, provide "reasonable support" for additional parental activities (sec. 556(e)).[88] A study of implementation of the ECIA in 24 LEAs found that parental advisory councils had been eliminated in 10 of these, and in most of the other LEAs, the scope of council activities had been significantly reduced.[89] Another survey of a national sample of LEAs, conducted as part of the mid-1980s National Assessment of Chapter 1, found that as of 1985-86, only 44 percent of LEAs had retained parental advisory councils. The enrollment size of LEAs was found to be an indicator of whether chapter 1 parental advisory councils were retained under chapter 1, with larger

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[87]Goodson, Barbara Dillon. *Working with Families, Promising Programs to Help Parents Support Young Children's Learning*. Cambridge, Abt Associates, Inc., 1991.

[88]Regulations reflecting the 1983 technical amendments also required LEAs to "develop written policies to ensure that parents of the children being served have an adequate opportunity to participate in the design and implementation of the LEA's chapter 1 project," and gave examples of types of parental activities that LEAs "may consider" implementing (34 CFR 200.53).

[89]McLaughlin, Milbrey W., et al. (1985). *State and Local Response to Chapter 1 of the Education Consolidation and Improvement Act, 1981*. Palo Alto, Cal.: Institute for Research on Educational Finance and Governance.

LEAs much more likely to continue the councils.[90] Despite this widespread abolition of parental advisory councils, most LEAs reported that there had been no significant change in the level of parental involvement in chapter 1 program design, operations, or evaluations.

Opinions differ widely on the most effective means for Federal legislation to encourage parental involvement, or whether any Federal legislative requirement is likely to substantially affect involvement of the parents of chapter 1 participants. It might be argued that the only constructive action the Federal Government can take in this regard is to make clear to LEAs their responsibility to involve parents in chapter 1 programs, but to leave the nature of that involvement to LEA discretion--which is essentially what was provided in chapter 1 between 1981 and 1988.

During consideration of the Hawkins-Stafford Act in 1987-88, the Congress attempted to find ways to increase parental involvement in the education of chapter 1 participants, without adopting "inflexible" requirements that might have effects such as those associated with the previous parental advisory council requirements. Proposals for a renewal of mandated parental advisory councils, or the Reagan Administration's proposal to increase parental involvement by authorizing aid in the form of vouchers, were rejected in the 1988 chapter 1 reauthorization legislation. However, the Hawkins-Stafford Act attempted to stimulate broader parental activity through an extended discussion of legislative intent, the provision of numerous illustrative examples, and the authorization of special assistance.

Under the current chapter 1 statute, LEAs are required to implement procedures "of sufficient size, scope, and quality to give reasonable promise of substantial progress toward achieving the goals" of *informing* parents about the chapter 1 program, *training* parents to help instruct their children, and *consulting* with parents. LEAs are required to:

- develop written policies for parental involvement in planning and implementing chapter 1 programs;
- convene an annual meeting of parents of all participating pupils at which parent activities are to be explained;
- provide to each parent a report on his/her pupil's progress and, "to the extent practical," conduct an annual parent-teacher conference for each pupil; and

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[90]For example, only 41 percent of LEAs with enrollment between 1,000 and 2,499 pupils retained the parental advisory councils under chapter 1, while 73 percent of those with enrollment above 25,000 continued the councils. See U.S. Department of Education. Office of Educational Research and Improvement. National Assessment of Chapter 1. *The Current Operation of the Chapter 1 Program*. Washington, 1987.

- provide program information and an opportunity for regular meetings for parents, if the parents so desire.

LEAs must also communicate with parents in a language and form of communication that the parents understand.

Several specific forms of parental involvement are listed in chapter 1 as mechanisms that LEAs *may* adopt to meet their responsibilities in this area. Among these activities are: parent training programs; the hiring of parent liaison workers; training of school staff to work with parents; use of parents as tutors or classroom aides; home-based education activities; solicitation of parent suggestions on program operations; or parental advisory councils. Finally, innovative parental involvement activities are included among the authorized innovation projects for which LEAs may use up to 5 percent of their chapter 1 grant (sec. 1011(b)).

Beyond this general guidance, and the listing of numerous examples intended to illustrate types of authorized parental involvement activity that might fulfill these general requirements, LEAs are left with largely the same high level of flexibility as under the previous chapter 1 legislation regarding parental involvement. It remains to be seen what effects the more extensive statements of intent in the 1988 revision of chapter 1 will have on the actual level of parental involvement activities.

Issues and Options

There is a continuing tension between the desire to increase parental involvement in chapter 1 programs, and a disinclination to prescribe specific, "inflexible" methods for doing this.

As noted above, there is a continuing tension between the desire to increase parental involvement in chapter 1 programs, and a disinclination to prescribe specific, "inflexible" methods for doing this. There are also difficulties in securing active involvement in school of parents who are busy at work, limited by language barriers, or face multiple problems of their own. The provisions added to chapter 1 in 1988 represent one "middle way" through these competing concerns. Another approach, exemplified by the Even Start program in part B of chapter 1,[91] would be to place greater emphasis on services to the parents of chapter 1 participants, in recognition of the fact that these individuals often have multiple problems of poverty, language, etc., that make it difficult for them to be actively and effectively involved in their children's education.

[91]Background information plus reauthorization issues and options for Even Start will be discussed in a separate, forthcoming CRS report in this series.

Under Even Start, grants are provided for high school level education, plus training in parenting skills, for parents lacking a high school diploma (or equivalent) and their children aged 1-7 years, who live in chapter 1 school attendance areas. This is a much smaller program, providing grants to a limited number of localities. There are a variety of ways in which financial incentives to provide some services of this type to parents could be provided in all LEAs receiving chapter 1 grants. For example, when LEAs distribute chapter 1 funds among participating schools, usually primarily on the basis of the number of children to be served, parents being provided with basic education or parenting skills training could be added. Alternatively, specific amounts of funds could be allocated at the State or local level for services to parents, or the innovation projects authority could be expanded to reserve a particular amount of money just for innovative services to parents. Objective measures of the effectiveness of services to parents could be explicitly considered in program accountability efforts.

While chapter 1 funds, especially under the innovation projects authority, could be used for at least some such services to parents now, provision of specific funding, or a designated way to increase general chapter 1 grants for schools providing these services, would be a more highlighted and focused incentive to initiate such services. This approach might also be combined with efforts to provide "comprehensive services" to chapter 1 participants, including parents among the service recipients and, to the extent possible, using them as aides in service provision. For example, actively involved parents could be used as liaisons to other parents who have not become so involved in their children's education, or who have not partaken of needed services offered by the school. This could be an extension of efforts by chapter 1 staff to coordinate a variety of needed services to participating pupils through referrals, etc.

A concern about all of these approaches would be the possible dilution of limited funds to serve chapter 1 pupils. While the extension of services to parents would likely increase the effectiveness of chapter 1 services to pupils, provision of the parental services would reduce the level of funds available for pupils, unless there were substantial increases in total funds. Some might also be concerned that a broadening of chapter 1's focus to include parents would somehow reduce the effectiveness of services to children by making the program's mission less specific or targeted.

SERVICES TO NONPUBLIC SCHOOL PUPILS

- Primarily as a result of a 1985 Supreme Court decision, making it more difficult and/or expensive to serve most private school pupils under chapter 1, the number of private school pupils who participate in chapter 1 remains well below the level for that year.

- Proposals to substantially change the way in which chapter 1 services are provided to private school pupils have been offered, but have faced major policy or legal obstacles.

Since its initiation, chapter 1 has provided aid to disadvantaged children attending both public and nonpublic schools. The legislation has required that educationally disadvantaged children attending nonpublic schools be served in an equitable manner, in comparison to those attending public schools, taking into account the number of such children attending nonpublic schools and their particular educational needs. In cases where an LEA has not provided for such equitable participation in chapter 1 by nonpublic school pupils, the U.S. Secretary of Education must arrange for a third-party organization to provide the services under a "by-pass" mechanism.[92] There has long been debate over whether nonpublic school pupils have actually been equitably served under chapter 1, with some nonpublic school advocates arguing that public education authorities generally allocate a disproportionately small share of chapter 1 funds to serving nonpublic school pupils.[93]

Aguilar v. Felton Decision

Through most of the history of chapter 1, nonpublic school pupils were generally served by public school teachers, who would instruct these children at their nonpublic schools for a few hours each week. However, a 1985 U.S. Supreme Court decision (*Aguilar v. Felton*) declared unconstitutional the practice of providing chapter 1 services to pupils of religiously affiliated nonpublic schools by sending public school teachers or other staff into such schools. Since this had previously been the dominant method of providing such services, and the majority of nonpublic school pupils attend religiously affiliated schools, most LEAs serving nonpublic pupils under chapter 1 have reported significant difficulty serving these pupils while complying with the Court's mandate.

A number of techniques for serving nonpublic school pupils under chapter 1 have been adopted by various localities in response to the *Aguilar* decision. These include using mobile classrooms or other "neutral sites" outside both public and nonpublic school property, serving nonpublic school pupils in public schools--either during or before/after regular school hours, or using personal computers or other forms of electronic educational technology to provide instruction to nonpublic school pupils. These alternatives have tended to engender one or more of three types of problems. First, they often require additional costs (e.g., for mobile classroom rental), which, according to ED guidance, are to be paid from general chapter 1 funds, not the funds set-aside

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[92]LEAs may fail to comply with the requirement for equitable participation in chapter 1 as a result of State constitutional limitations on aid to non-public schools (e.g., in Missouri and Virginia), or other reasons. When a by-pass is invoked, either on a State-wide basis or for a particular LEA, an organization that is independent of the private school(s) and any religious organization is typically established specifically for this purpose. By-pass agents are constrained by the same restrictions arising from the *Aguilar* decision (described in the following paragraph) as affect LEAs.

[93]See, for example, Vitullo-Martin, Thomas, and Bruce Cooper. *Separation of Church and Child: The Constitution and Federal Aid to Religious Schools*. Indianapolis, The Hudson Institute, 1987.

for aid to nonpublic school pupils. Second, these techniques may violate requirements that chapter 1 services to non-public school pupils be equivalent to those provided to public school pupils. Finally, many advocates of nonpublic schools have considered the post-*Aguilar* methods of serving nonpublic school pupils in chapter 1 to be unsatisfactory because of the time loss and inconvenience for some nonpublic pupils, who must often interrupt their school day to be transported to a "neutral" or public school site. As a result of these difficulties, nonpublic pupil participation in chapter 1 has remained below the level for 1984-85 (see table 2).

During its consideration of the Hawkins-Stafford Act in 1987-88 and afterward, the Congress has attempted to find ways to resolve these difficulties without violating the Supreme Court's *Aguilar* decision. Some argued that the coalition of public and nonpublic interest groups and associations that had historically supported chapter 1 and other Federal aid to elementary and secondary education might be broken apart over the new barriers to serving nonpublic pupils in these programs[94]; however, the substantial increases in chapter 1 appropriations after 1988 would appear to contradict this prediction. Nevertheless, concern has been expressed over the reduction in nonpublic school pupils served under chapter 1, as well as the increased costs of serving these pupils, with those cost increases reducing the funds available to serve all pupils, public and nonpublic.

During the mid-1980s, the Reagan Administration proposed that these problems be resolved by authorizing the provision of chapter 1 services in the form of vouchers. Under the 1987 version of the Administration's chapter 1 voucher proposal, LEAs would have been authorized to provide chapter 1 services to participating pupils either directly, as is currently done, or by giving a voucher--equal in value to the LEA's average chapter 1 grant per participant--to the pupil's parents. The voucher could be used to purchase educational services at virtually any public or private school which offered them. Proponents of the voucher proposal argued that it would be a constitutional means to equitably serve all eligible children under chapter 1, and would improve education for disadvantaged children by expanding their range of educational services. Opponents of chapter 1 vouchers argued that their constitutionality was dubious and untested, and the relatively low value of the vouchers--combined with the lack of a well-developed market for supplementary educational services for the disadvantaged--would provide more of an illusion than a reality of increased choice of educational service providers to the recipients.[95]

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[94]See, for example, Cooper, Bruce, and John Poster. (May 21, 1986). Breakdown of a Coalition. *Education Week*. p. 28.

[95]For more information on the Administration's chapter 1 voucher proposals, including pro and con arguments, see Riddle, Wayne. Vouchers for the Education of Disadvantaged Children: Analysis of the Reagan Administration Proposal. *Journal of Education Finance*, 1986. p. 9-35.

Whatever the merits of the Administration's chapter 1 voucher proposal, it was not extensively considered, or even formally offered as an amendment, during the public debate over the Hawkins-Stafford Act. A somewhat similar proposal for chapter 1 vouchers (although without use of that term) was included in the Bush Administration's *AMERICA 2000* strategy, as introduced in April 1991. However, no legislation incorporating this proposal was adopted by the 102d Congress.

The most significant new provision for serving nonpublic pupils that was adopted in the 1988 Hawkins-Stafford Act was the authorization of specific appropriations to pay the additional so-called "capital expenses" of serving nonpublic school pupils under chapter 1 as a result of the *Aguilar* decision. "Capital expenses" are defined as costs for purchasing, leasing, or renovating facilities, transportation, insurance, maintenance, or similar goods and services. These funds are to be allocated to the States in proportion to their relative number of nonpublic pupils served under chapter 1 in school year 1984-85. State education agencies are then to distribute these funds to their LEAs with greatest need for assistance. Funds have been appropriated for such capital expenses beginning with FY 1989; the FY 1993 level is $39.7 million.

Issues and Options

As noted earlier, some advocates of private schools and their pupils have long argued that too few private school pupils participate in chapter 1 programs. Certainly, a smaller proportion of private than public school pupils have always participated in chapter 1, and the gap has widened somewhat since the 1985 *Aguilar* decision. Overall, in 1988-89, approximately 12 percent of all public elementary and secondary school pupils participated in chapter 1, while only approximately 3 percent of all private school pupils did so. Obviously, if private school pupils were as likely to be educationally disadvantaged and living in relatively low income areas as public school pupils, it could be inferred that they are not equitably served under this program.

However, it is quite likely that the proportion of private school pupils who are educationally disadvantaged and living in relatively low income areas is significantly lower than the proportion of public school pupils who meet these criteria. Surveys indicate that in general, private school pupils come from families with higher average family income and parental education levels than public school pupils, implying a lower probability of low achievement levels. Another consideration is that some private schools do not wish to participate in chapter 1, even if they enroll eligible pupils; they may have a general policy against accepting government aid, or feel that the available services are less substantial than the difficulties of participating, since services usually may not be provided at their facility.

Other information on the relative participation of public versus private school pupils comes from annual chapter 1 reports by the States. For the 1988-89 reports, States were for the first time asked to estimate the proportion of children eligible for chapter 1 who were actually served, separately for public

and private schools. Slightly more than one-half of the States responded to this question for 1988-89; overall, they estimated that one-half of all pupils eligible for chapter 1 were served, and that eligible pupils in private and public schools were equally likely to be served.[96]

Nevertheless, a 4-to-1 gap in chapter 1 participation rates between the private and public sectors is hard to justify. Private school officials and advocates also complain about the inconvenience of the ways in which many of their children have been served in the period since the *Aguilar* decision.

Methods to serve private school pupils under chapter 1 that go beyond the provisions adopted in 1988 have in the past run into serious policy or constitutional concerns.

Methods to serve private school pupils under chapter 1 that go beyond the provisions adopted in 1988--primarily the separate authority to pay for the "capital expenses" of serving private school pupils--have in the past run into serious policy or constitutional concerns. The various voucher or public-private school choice proposals made by the Reagan and Bush Administrations and others in recent years have not thus far received favorable consideration by the Congress, and would undoubtedly face legal challenges if enacted. There are also many technical problems with such proposals, e.g., chapter 1 is currently conceived and structured as a "group service" program, not an individual grant, and the amounts currently spent per child served can only buy a substantial range of services when combined with the grants for several other children. Typical chapter 1 grants per child served are lower than average private school tuition levels. In Milwaukee, a public-private school choice program for a limited number of children from low income families has been adopted, with mixed results.[97] Further, pre-1985 methods of serving private school pupils--sending public school staff into their schools for limited periods--are clearly prohibited by the courts when the private schools have religious affiliations.

Some LEAs have attempted to circumvent these difficulties by means of instructional technologies. For example, an LEA might lend personal computers to a school for use by the school's chapter 1 participants, under the supervision of a regular member of the school's staff (who does not receive compensation from chapter 1); or classrooms might be linked through telecommunications. However, some have expressed concern that this technique is not really "comparable" to the chapter 1 services provided to public school pupils. There can also be legal concerns about the possible use of the instructional equipment

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[96]It should be kept in mind that these reports were made by public school officials.

[97]See U.S. Library of Congress. Congressional Research Service. *School Choice: Status and Issues*. CRS Report for Congress No. 92-55 EPW, by James B. Stedman Washington, 1992. 13 p.

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for religious purposes. Nevertheless, these methods probably merit further exploration and could be expanded.

Another approach to increasing the share of private school pupils who participate in chapter 1 is to heighten the attention to this concern on the part of local administrators. For example, LEAs might be required to justify especially low rates of private school pupils participation in their programs, perhaps in any situation where the proportion of private school pupils participating in chapter 1 is less than one-half the proportion of public school pupils who participate. Another approach might be the provision of financial or other incentives to LEAs that significantly increase the proportion of eligible private school pupils whom they serve under chapter 1, e.g., by distribution of capital expenses grants on the basis of *increases* in private school pupils served, rather than their absolute number. More substantial efforts to resolve the remaining concerns about low and inconvenient participation of private school pupils in chapter 1 appear to be limited by the policy and legal environment in which this program operates.

CONCLUDING REMARKS

Chapter 1 reauthorization efforts are likely to focus on how to identify more effective programs, disseminate information about them throughout the Nation, and provide incentives to teachers and administrators to adopt more effective policies and practices. There is currently a great deal of ferment in the development of new approaches of educating disadvantaged children. The program improvement and innovation provisions added to chapter 1 in 1988 are supporting these trends to at least a limited extent, as well as a variety of research and development efforts.

As noted at the beginning of this report, this is consistent with the view that although chapter 1's measured effects are on average relatively small, the program is effective in several sites, and its effectiveness can be increased in many more locations without radical restructuring. It is also consistent with the view that existing measures of aggregate program effects, based on standardized, norm-referenced test scores, are very limited and do not capture much of chapter 1's impact on pupils' lives.

However, there is a possible alternative interpretation to the evidence on aggregate chapter 1 effects--that chapter 1 has relatively low measured effect because: the program has only marginal impact on pupils' schooling and lives, with little positive impact on **overall** school policies or funding; there is little knowledge about how to develop effective programs; participation is too broad for an effective concentration of resources, at least in relation to currently available funds; and there are too many social problems in high poverty areas for an educational program such as chapter 1 to be able to overcome them.

The second hypothesis described above implies that a greater degree of change is appropriate for chapter 1 than does the first hypothesis. In particular, the second hypothesis implies that the program should be much more targeted

on high poverty schools and LEAs. Alternatively, the existing chapter 1 program could be supplemented by another, much more intensive and comprehensive, program limited to high poverty schools or LEAs. A possible version of such a supplementary program is discussed and analyzed in a recent CRS paper.[98]

Aside from this basic question, interest in, and support for, the chapter 1 program have grown in recent years, following a period in the early 1980s when the existence of the program, or at least the continuation of substantial support for it, was threatened. Nevertheless, real (constant price) funding levels are only marginally above, and participation counts somewhat below, their levels of the late 1970s. Further, after several years of substantial growth, the FY 1993 appropriation is slightly below that for FY 1992.

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[98]Part 1 of *Selected Reform Options for Federal Education Policies and the Elementary and Secondary Education Act*. CRS General Distribution Memorandum by the Education Section, dated Oct. 26, 1992. 43 p.